

SUBCOMMITTEE NO. 3

Agenda

Health, Human Services, Labor & Veteran's Affairs

Chair, Senator Elaine K. Alquist

Senator Alex Padilla
Senator Mark Wyland



May 21, 2008

10:30 AM

Room 4203

(John L. Burton Hearing Room)

Agenda

(Diane Van Maren)

<u>Item</u>	<u>Department Listing</u>
4120	Emergency Medical Services Authority
4170	CA Medical Assistance Commission (CMAC)
4260	Department of Health Care Services
4265	Department of Public Health
4300	Department of Developmental Services
4400	Department of Mental Health

PLEASE NOTE: Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate File for dates and times of subsequent hearings.

In addition: **(1)** All previous actions taken by the Subcommittee remain, unless the Subcommittee otherwise modifies the proposal at this May Revision hearing; **(2)** The "VOTE ONLY" CALENDAR for each department **may** include the modification or denial of proposals, as well as acceptance of proposals. This will be noted in the Agenda as applicable under the staff recommendation section.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. *Please* see the Senate File for dates and times of subsequent hearings, both Subcommittee and full Committee. Thank you.

I. VOTE ONLY CALENDAR

A. Vote Only-- 4120 Emergency Medical Services Authority

Issue. The Subcommittee is in receipt of a Finance Letter from the Administration requesting that Item 4120-495 be added to revert unexpended General Fund money from the Budget Act of 2006 from within the Emergency Medical Services Authority. A total of \$99,000 (General Fund) is identified for reversion. Of this amount, \$24,000 is from local assistance and \$75,000 is from state support.

Subcommittee Staff Recommendation—Adopt May Revision. These are unexpended funds from 2006. No issues have been raised.

B. Vote Only—4260 Department of Health Care Services

1. CA Discount Prescription Drug Program—Delete Funding and Defer Implementation

Issue. Due to the fiscal crisis, the Senate has prioritized core, direct services programs as being key programs to fund. As such, new programs and pilot programs are being eliminated from the budget.

The Budget Bill of 2007 appropriated a total of \$8.8 million to implement AB 2911 (Nunez), Statutes of 2006. However, it was vetoed by the Governor. For 2008-09, the DHCS proposes funding of \$5.870 million (General Fund) to proceed with implementation.

Under this new program, the DHCS would conduct drug rebate negotiations, perform drug rebate collection and dispute resolution, and develop program policy, while a contractor would operate and manage the enrollment and claims processing functions.

Overall Background—AB 2911 (Nunez), Statutes of 2006. This legislation created the CA Drug Discount Prescription Drug Program to address concerns regarding the lack of access to affordable prescription drugs by lower-income Californians. This program is a drug discount program, not a benefit. The general structure of the program is for the state to negotiate with drug manufacturers and pharmacies for rebates and discounts to reduce prescription drug prices for uninsured and underinsured lower-income individuals.

Participation in the program is eligible uninsured California residents with incomes below 300 percent of the federal poverty, individuals at or below the median family income with unreimbursed medical expenses equal to or greater than 10 percent of the family's income, share-of-cost Medi-Cal enrollees, and Medicare Part D enrollees that do not have Medicare coverage for a particular drug.

Enrollment in the program is to be simple and most likely will occur through local pharmacies. The only fees charged to individuals will be a \$10 enrollment fee for processing the initial program application and an annual \$10 re-enrollment fee. The legislation allows pharmacies and providers to keep the \$10 enrollment fee as payment for their assistance to enroll clients in the program.

Subcommittee Staff Recommendation—Defer Implementation. Though implementation of this new program has merit, due to the fiscal crisis it is recommended to delay implementation of this program for 2008-09 and to delete the entire 2008-09 funding amount. The state is not in a position to commence with a new program when existing core programs, such as Medi-Cal and Healthy Families are being proposed for reduction. By deferring this program the state will save \$5.870 million General Fund. This includes eliminating all applicable funding to the Fiscal Intermediary as well.

This recommendation is proposed without prejudice to funding in the future contingent upon appropriation in the annual Budget Act or other legislation. No statutory changes are proposed.

2. Technical Adjustment for Resources to Improve Chronic Health Conditions

Issue. The Governor's May Revision (DOF issues #149, #150 and #151) proposes a series of technical adjustments which reflect funding shifts across state support items within the Department of Health Care Services in order to utilize federal funds for specified activities as directed by the Legislature in the Budget Act of 2007 with regards to improving Medi-Cal services for seniors and persons with disabilities and chronic conditions.

This action results in savings of \$417,000 (General Fund) implications to these shifts.

Subcommittee Staff Recommendation—Approve. The DHCS should have taken current year action on this shift to more effectively utilize these federal funds but at least it is being done now. No issues have been raised.

In the Budget Act of 2007, the Legislature appropriated \$775,000 (federal Maternal and Child Health Title V Funds) for the Department of Health Care Services to more comprehensively address performance and quality standards regarding Medi-Cal Managed Care and special populations, including seniors and people with developmental disabilities. Due to the department split and concerns regarding the use of these federal funds for this purpose, the Administration needed to shift funds across state items to use the money in a manner that met federal guidelines for the use of these funds, as well as the intent of the Legislature.

3. Trailer Bill Language for Public Assistance Reporting Information--Pilot

Issue. The DHCS is proposing trailer bill language to implement the Public Assistance Reporting Information System (PARIS) pilot project. The purpose of this system is to improve the identification of the subset of Medi-Cal enrollees who are also veterans and who may be eligible for duplicative services. The DHCS will implement this project within existing resources beginning in 2008-09. As such, there are no General Fund implications for this proposal in 2008-09.

This proposal would amend existing statute to provide the authority for the DHCS to operate a two-year pilot program to test the cost effectiveness of the PARIS-Veterans match in three counties. While the DHCS currently identifies veterans enrolled in the Medi-Cal Program, the existing process is paper driven, inefficient and could be enhanced.

Improved veteran identification may increase the state's ability to shift health care costs from the Medi-Cal Program to the U.S. Department of Veterans Affairs, thereby lowering Medi-Cal Program expenditures and increasing the number of veterans that participate in veteran benefit programs to which they are entitled.

This DHCS proposal is in response to issues raised by the Legislative Analyst's Office (LAO) in her Analysis of 2007.

Background. The federal Public Assistance Reporting and Information System (PARIS) is an information sharing system operated by the U.S. Department of Health and Human Service's Administration for Children and Families which allows states and federal agencies to verify public assistance client circumstances. PARIS would provide the DHCS with an improved method to identify veterans who are enrolled in Medi-Cal.

Subcommittee Staff Recommendation—Adopt Administration's Language as Placeholder. It is recommended to adopt the Administration's draft trailer bill language as placeholder language. No issues have been raised at this time.

4. Governor's May Revision Defers SB 487 (Escutia) Pilot Projects

Issue. The Governor is proposing to defer implementation of the pilot projects as contained in SB 487 (Escutia), Statutes of 2006, which results in a reduction of \$13.6 million (General Fund) within the Medi-Cal Program.

Under this pilot, two counties—Santa Clara and Orange—would have conducted “self-certification” pilot projects for both the Medi-Cal and Healthy Families Program. Under this approach, as contained in statute, applicants and enrollees in certain categories of eligibility would self-certify income and assets for purposes of enrolling in these two programs.

The purpose of these pilots is to obtain data regarding the potential for streamlining program enrollment functions and to focus limited funds towards health care services and not administration and eligibility processing.

Background—Description of Senate Bill 437 (Escutia), Statutes of 2006. Among other things, this legislation includes strategies to promote and maximize enrollment in the Medi-Cal Program and the Healthy Families Program (HFP), improve the retention of children already enrolled, and strengthen county-based efforts to enroll eligible children in existing public programs. These strategies include the following:

- **Self Certification for the Medi-Cal Program.** The Department of Health Care Services is required to implement a process that allows applicants and enrollees of certain categories of eligibility to self-certify income and assets. This process is to be implemented in two phases. The first phase is a two-year Pilot project to be operated in two counties. Orange County has been selected to be a pilot and so has Santa Clara County. After an evaluation of the Pilot, a statewide rollout can be conducted.
- **Self Certification for the Healthy Families Program.** The Managed Risk Medical Insurance Board is required to implement processes by which applicants at the time of annual eligibility review may self-certify income rather than provide income documentation. The MRMIB will establish rules concerning which applicants will be permitted to certify income and the circumstances in which supplemental information may be required by January 2009.

Subcommittee Staff Recommendation—Adopt the May Revision. Due to the fiscal crisis, it is recommended to adopt the Governor's May Revision and delete the local assistance funding within the Medi-Cal Program. (Funding for the Healthy Families Program is contained with the Managed Risk Medical Insurance Board, as noted later in this Agenda.)

5. Eliminate Funding for State Staff Associated with SB 487 Pilot Projects

Issue and Subcommittee Staff Recommendation—Delete Funding and Positions. As noted above, the Governor is proposing to eliminate local assistance funding for two pilot projects which were to begin in 2008-09.

However, the Administration inadvertently did not also propose elimination of two DHCS positions for a reduction of \$209,000 (\$104,000 General Fund). Therefore, Subcommittee staff recommends reducing the DHCS state support budget by this amount.

6. Technical Adjustment between DHCS and DPH for Family PACT Program

Issue. According to the Administration, due to their oversight, a technical adjustment is needed to shift \$250,000 (General Fund) from the Medi-Cal budget (Item 4260-101-001) to the Department of Public Health's Family PACT Program for local assistance contracts.

There is no net increase in General Fund expenditures from this transfer. It is purely technical to properly align the program due to the split of the Department of Health Services into the Department of Health Care Services and the Department of Public Health.

Subcommittee Staff Recommendation—Approve this Shift By Reducing this Item. It is recommended to reduce the DHCS budget and to transfer the \$250,000 (General Fund) amount to the DPH for expenditure in Item 4265-111-001 within the Family PACT Program for local assistance contracts.

7. Reduction to Child Health & Disability Prevention Program (CHDP)

Issue. The Governor's May Revision is proposing a revised reduction of \$590,000 (General Fund), or a 10 percent reduction, to the funds provided to Local Health Jurisdictions for county case management. (This reduction was proposed in January and has been updated for the May Revision to be a lesser reduction.)

The DHCS states that Medi-Cal provides \$37.5 million (\$13.2 million General Fund) in funding for support of staff in local Child Health & Disability Prevention Programs (CHDP) which serve Medi-Cal eligible children who receive CHDP screening and immunization services.

County/city local health jurisdictions manage CHDP at the local level working directly with private and public providers of services. Specifically, Local Health Jurisdictions are required to perform care coordination, including approval, enrollment and oversight of providers, and outreach and education.

Background—What is the Child Health & Disability Prevention Program (CHDP)?

The CHDP provides pediatric prevention health care services to (1) infants, children and adolescents up to age 19 who have family incomes at or below 200 percent of poverty, and (2) children and adolescents who are eligible for Medi-Cal services up to age 21.

CHDP services play a key role in children's readiness for school. All children entering first grade must have a CHDP health exam certificate or equivalent.

This program serves as a principle provider of vaccinations and facilitates enrollment into more comprehensive health care coverage, when applicable, via the CHDP gateway.

Subcommittee Staff Recommendation—Adopt May Revision. Due to the fiscal crisis, it is recommended to adopt the Governor's May Revision estimate for the CHDP, including the reduction to case management.

8. DHCS Medi-Cal Program—HIV/AIDS Pharmacy Pilot Program

Issue—Adjustment to Prior Subcommittee Action. In the Subcommittee hearing of April 14th, the Subcommittee adopted the LAO proposal to eliminate funding for this since the Pilot Program is scheduled to end as of June 30, 2008, and to prioritize funding for the AIDS Drug Assistance Program (ADAP). The Subcommittee approved the LAO recommendation on a 3-0 vote.

The Governor's May Revision has modified their approach to this Pilot. They are proposing to fund it at a total of \$1.1 million (\$1.059 million General Fund) and to only provide the higher dispensing fee for certain types of AIDS drugs, and not all dispensed drugs as before.

Legislative Analyst's Office Recommendation—Deny Extending Pilot. The LAO recommends to deny extension of this pilot project and to instead, redirect the General Fund augmentation towards backfilling the Governor's reductions proposed within the Office of AIDS for the ADAP Program.

The LAO notes their recommendation is consistent with the Legislature's intent to sunset the program as of June 30, 2008. While the LAO recognizes the merits of having pharmacists coordinate HIV/AIDS patient's therapeutic drug regimens, they believe that the provision of direct services is a higher priority than continuing to fund a pilot project beyond the time period. Therefore, the priority for funding should be the ADAP to ensure that drug treatment is provided.

Subcommittee Staff Recommendation—Conform Prior Subcommittee Action with Revised Dollars. It is recommended to conform the Subcommittee's prior action—to reject the continuation of this pilot project—with the level of funding contained in the May Revision. Since the May Revision for the Pilot project is a total funding level of \$1.059 million (\$1.039 million General Fund), it is recommended to recognize this amount for savings to use in other HIV/AIDS programs (such as the AIDS Drug Assistance Program or the Therapeutic Monitoring Program). This is not a year to start new Pilot projects or to further extend existing ones.

C. Vote Only—4265 Department of Public Health

1. Trailer Bill Legislation for Emergency Physicians & Proposition 99 Funds

Issue. For the past nine years or so, the Legislature and Administration annually adopt trailer bill legislation to provide up to \$24.8 million (Cigarette and Tobacco Produce Surtax Funds—Proposition 99 Funds) for uncompensated physician emergency medical services within the CA Healthcare for Indigent Persons Program and the Rural Health Services Program. These funds are used to reimburse physicians for uncompensated emergency medical services to persons who cannot afford to pay for such services.

The proposed language is identical to language which was adopted in last year's Omnibus Health Trailer bill (AB 203, Statutes of 2007).

Subcommittee Staff Recommendation—Adopt Trailer Bill with Appropriation. It is recommended to adopt the trailer bill language which contains the appropriation. No issues have been raised.

2. Delete Augmentation for Staff in Communicable Disease

Issue. In the Budget Act of 2007, the Governor vetoed \$1.314 million (General Fund) to support 9 state positions within the Communicable Disease area of the Department of Public Health for implementation of Senate Bill 739 (Speier), Statutes of 2006. Specifically the veto message stated that this funding would be delayed for one-year due to the fiscal crisis and the need to build a prudent reserve.

The Administration has *resorted* funding for this effort in its baseline budget for 2008-09.

Subcommittee staff believes that due to the fiscal crisis, it should be deleted. Now is not the time to start new projects and hire more state staff.

Background—Senate Bill 739, Statutes of 2006. This legislation requires the Department of Public Health (DPH) to: (1) implement a healthcare associated infection surveillance and prevention program; (2) investigate the development of electronic reporting, adopt new administrative regulations; and (3) evaluate the compliance of facilities with policies and procedures to prevent healthcare associated infections.

Subcommittee Staff Recommendation—Delete \$1.3 million (General Fund). Due to the fiscal crisis, it is recommended to delete this new funding within the Communicable Disease area. There are other state efforts within the DPH which are addressing infectious disease issues, as well as efforts at the local level.

In addition, the budget for 2008-09 does include funding to address aspects of the legislation that directly pertains to hospitals and hospital oversight. A total of \$431,000 (Licensing and Certification Funds) to support Health Facility Evaluator surveys in hospitals has been provided for 2008-09. These positions will be used to conduct the core functions of this legislation. Including the following action items:

- Serve as the program's principal infection control resources for enforcement activities, regulations interpretation and development, and staff training and development.
- Review, interpret and revise the California Code of Regulations related to infection control.
- Prepare and present instructional materials and conduct ongoing training related to infection surveillance, prevention and control for internal training of surveyors.
- Conduct statistical analyses of and provide reports on licensing and certification data on healthcare associated infections and infection control.

Therefore, it is recommended to delete the \$1.3 million (General Fund) for the Communicable Disease area and to **retain** the \$431,000 (Licensing and Certification Fund) for the Licensing and Certification Division activities.

3. Real ID Demonstration Grant Program—Deny Proposal

Issue. Through the May Revision process, the Department of Public Health (DPH) is requesting an increase of \$1.3 million (Reimbursements) to fund 18 new positions (limited-term) to implement various aspects of the Real ID Demonstration Grant Program which has been applied for in partnership with the Department of Motor Vehicles (DMV).

If awarded, the grant would allow the DPH to accelerate the conversion of California's birth and death records so a more complete data set will be available for authentication of birth certificates used to identify personal identity. The DPH would also use grant funds to support staff working with the DMV for electronic verification of birth records.

According to the Administration, the DPH positions would be used by the Health Statistics area within the DPH to:

- Increase the quantity and quality of California's vital events data for use in the verification of vital events;
- Develop a CA vital events database and communications infrastructure that meets national requirements for the electronic verification of vital events, including a Feasibility Study Report to evaluate and analyze requirements and on-going maintenance needed to connect DMV to the DPH;
- Create a multi-department CA Vital Events Verification Workgroup to establish intrastate project governance, verification protocols, and privacy, security, technical and financial policies and procedures; and
- Make California's vital events data available to the DMV for birth certificate purposes.

Subcommittee Staff Recommendation—Reject May Revision. The DPH's proposal is complex and should be discussed more comprehensively through the legislative process. The Legislature was not provided with a copy of the grant application nor is it clear how the DPH intends to proceed with the various components as noted above. As such, more sunshine is needed on this issue versus being presented with a May Revision proposal at the last minute. Further, the appropriation can wait since the DPH/DMV just submitted its proposal and they do not know if a federal award will even be forthcoming.

4. Genetic Disease Screening Program—Special Funds

Issue. The Subcommittee is in receipt of a May Revision estimate for the Genetic Disease Screening Program which provides screening for all newborns for genetic and congenital disorders that are preventable or remediable by early intervention. It also provides screening of all pregnant women who consent to screening for serious birth defects. The program is self-supporting through fees collected from screening participants through the hospital of birth, third party payers, or private parties using a special fund—the Genetic Disease Testing Fund.

The May Revision proposes total expenditures of \$119.8 million (Genetic Disease Testing Fund) which reflects a reduction of \$2.159 million (Genetic Disease Testing Fund) to correct for an erroneous adjustment regarding operating expenditures and equipment within caseload-driven expenditures associated with the Newborn Screening and Prenatal Screening programs.

Subcommittee Staff Recommendation—Adopt May Revision. It is recommended to adopt the May Revision to account for the technical correction. No issues have been raised.

5. Technical Adjustment between DPH and DHCS for Family PACT Program

Issue. According to the Administration, due to their oversight, a technical adjustment is needed to shift \$250,000 (General Fund) from the Medi-Cal budget (Item 4260-101-001) to the Department of Public Health's Family PACT Program for local assistance contracts.

Therefore, an increase of \$250,000 (General Fund) is needed within the Department of Public Health to properly align the Family PACT Program.

There is no net increase in General Fund expenditures from this transfer. It is purely technical.

Subcommittee Staff Recommendation—Approve this Shift By Increasing this Item. It is recommended to increase the DPH budget by \$250,000 (General Fund) for expenditure in Item 4265-111-001 within the Family PACT Program for local assistance contracts. This is just a technical fund shift between departments. No additional General Fund is being added.

6. Eliminate Funding for State Staff Associated with SB 487 Pilot Projects

Issue. The DPH proposes a reduction of \$244,000 (\$123,000 General Fund) and deletion of two staff positions to conform with the Governor's May Revision proposal to delay implementation of the pilot projects as contained in SB 437 (Escutia), Statutes of 2006, as discussed under the Department of Health Care Services, above in this Agenda.

Subcommittee Staff Recommendation—Adopt the Reduction. It is recommended to adopt this reduction in staff due to the deferral in implementing the projects due to the fiscal crisis. No issues have been raised.

7. Preventive Health Care for Adults

Issue and Background. The Governor is proposing a 10 percent reduction of \$100,000 (General Fund) to the Preventive Health Care for Adults Program. According to the DPH, a total of \$1.252 million (General Fund) is presently expended on this program.

The Preventive Health Care for Adults Program was established by AB 1607, Statutes of 1973 (Section 18375 of Welfare and Institutions Code). It is a health promotion program for *non-frail* adults age 50 and older who self-select to come to the program (i.e., it is *not* means tested for income). Participants are *not* screened for eligibility or other criteria to receive the service. Participants receive a comprehensive health screen.

Under the program, the DPH provides 11 counties grants (amounts of \$45,000, \$75,000, or \$105,000) and the counties provide an equal match to operate the program. Public health nurses provide free health assessments, screenings (such as for cholesterol, blood pressure, and bone density), education and counseling in community locations, such as community centers, churches, senior centers and the like.

The 11 counties are: El Dorado, Humboldt, Kern, Kings, Madera, Orange, San Bernardino, Shasta, Stanislaus, Tulare, and Ventura.

Subcommittee Staff Recommendation—Delete Entire State Funding. Due to the fiscal crisis, it is recommended to delete all state General Fund support for this program (a total of \$1.252 million, or \$1.152 million that remains after the Governor's 10 percent reduction). *In addition*, any state support funding associated with this program is also recommended for deletion if supported by state General Fund resources.

Though this program provides a public benefit to local communities, it is a discretionary program in which the state does not need to participate. Counties may choose to continue this program on their own or they may be able to obtain foundation grant funding as a match.

Further, it is a program that was established prior to the development of other local public health services and programs. It is not a means tested program and provides health screens that may be provided (or sponsored) by others, including community hospitals, clinics, Local Health Jurisdictions or local foundations.

The state needs General Fund support for entitlement programs and programs that serve more involved populations and families.

8. Governor's Reductions to Various Programs Serving Teens

Issue and Prior Subcommittee Hearing. The Governor is proposing reductions in several programs which serve to (1) mitigate teen pregnancy and unintended fatherhood; (2) provide information and education regarding reproductive health services; (3) develop life skills and sense of self-accountability; and (4) make conduct outreach to individuals at high risk for pregnancy and sexually transmitted infections. The Governor's proposed reductions are shown in the table below. These programs and their effectiveness were discussed in the Subcommittee on May 12th.

Governor's Reductions to Teen Public Health	Governor's Reductions	Potential Affect of Reductions
1. Adolescent Family Life Program (AFLP). The AFLP operates in 37 counties and serves about 18,000 pregnant and parenting teens annually. AFLP goals are to promote healthy birth outcomes for pregnant teens, prevent low-weight and premature births, completion of high school, and to mitigate future unintended pregnancies. Teens are referred to AFLP through high schools, hospital emergency rooms, churches, county social service agencies and other organizations. AFLP case managers work with each teen and develop an Individual Service Plan to meet the needs of that teen. The AFLP has had independent analysis conducted and has shown to be cost-beneficial.	-\$1.194 million GF	This proposal would reduce the number of pregnant and parenting teens accessing local programs by about 1,100 teens. DPH states that 41 local assistance contracts would be reduced by about six percent each. (Los Angeles County is served by multiple contractors.)
2. Information & Education Project Grants. DPH has 27 grantees which serve 75,000 teens and parents/caregivers annually. The grantees provide teens with mentoring, referral to reproductive health services, and provide information to develop life skills and sense of self-accountability. This program presently receives \$1.2 million (General Fund).	-\$159,000 GF	An estimated 5,000 teens and parents of teens will not receive services.
3. Teen Smart Outreach. DPH has 21 grantees in this program that focus on teens that are at high risk for pregnancy and sexually transmitted infections. Outreach workers also focus on removing barriers for teens to access comprehensive reproductive health services. About 154,000 teens are annually served. This program presently receives \$1.8 million (\$900,000 GF).	-\$182,000 (-\$91,000 GF)	An estimated 30,000 teens would not receive services.
4. Male Involvement Program. DPH funds 21 grantees for the Male Involvement Program which serves about 30,000 adolescents and young males annually. Grantees provide program activities aimed to increase the involvement of young males in the prevention of teen pregnancy and unintended fatherhood. A variety of settings are used including mainstream and alternative schools, social services agencies, and youth centers.	-\$115,000 GF	An estimated 2,400 young men will not receive services.
TOTAL REDUCTION	-\$1.650 million (-\$1.459 m GF)	

Subcommittee Staff Recommendation—Modify Governor’s Proposal. It is recommended to take the following actions:

- Adolescent Family Life Program. Reject the Governor's reduction for the Adolescent Family Life Program (AFLP). This program has been flat funded since the late 1990's. It is a very effective program and has been evaluated for its outcomes.

To fund this restoration, it is recommended to eliminate \$675,000 (federal title V Maternal and Child Health funds--the remaining amount) from the Maternal Mortality Project, established by the DPH in 2006 to analyze maternal deaths, and provide it to the AFLP (a direct services program). In addition, it is recommended to provide \$517,000 (General Fund) to complete the restoration to the AFLP.

- Information and Education Projects. Adopt the Governor's 10 percent reduction of \$159,000 due to the fiscal crisis.
- Teen Smart Projects. Reject the Governor's reduction and restore the \$91,000 (General Fund). This restoration will also maintain federal funds of a like amount.
- Male Involvement Program. Reject the Governor's reduction and restore the \$115,000 (General Fund). This program has been effective and it is one of the few programs which are focused on males and their role in reproductive health issues.

9. Governor's 10 Percent Reduction to Prostate Cancer Treatment

Issue. The Governor is proposing a reduction of \$365,000 (General Fund) to this program. Of this amount \$88,000 would be reduced from DPH State Support and \$277,000 (General Fund) would be reduced from a contract with the University of CA at Los Angeles (UCLA).

With respect to the \$277,000 in contract funding to be reduced from UCLA, the DPH states that \$43,000 would be reduced from their administrative oversight and \$234,000 from the treatment program.

Background—Improving Access, Counseling and Treatment for Californians (IMPACT) Program. The IMPACT Program has been implemented through a contract with UCLA since its inception in 2001. Originally this program was funded using foundation grant funds.

This program was designed to be a comprehensive delivery model including treatment costs as well as nutrition counseling, transportation, extensive nurse case management, essential medical supplies, and culturally appropriate patient education materials. Enrolled men are assigned case managers who coordinate care, provide emotional support, education and counsel men on symptom management and nutrition.

Eligible low-income, uninsured men with prostate cancer who are enrolled in this treatment program will receive treatment services.

Senate Bill 650 (Ortiz), Statutes of 2005 re-established the IMPACT Program and required that 87 percent of any state appropriation for the program be expended on direct medical care with the remaining amount to be spent on various administrations. Additionally, the program must now use Medi-Cal rates for treatment services.

Subcommittee Staff Recommendation—Adopt Governor's Reduction. It is recommended to adopt the Governor's proposal.

Most of the reduction will be from administrative functions. Further, UCLA could choose to provide more in-kind services to seek funding from one of the many California foundations that have provided funding for this program in the past. Individuals are also likely eligible for county indigent health programs.

The Governor did veto this entire program in 2006 but it was stored through legislation.

10. Dental Prevention Program

Issue. The Governor is proposing a 10 percent reduction of \$326,000 (General Fund) to this program. Presently, it is funded at \$3.2 million (General Fund). The reduction would be taken across the board on all contracts.

The Children's Dental Disease Prevention Program is a school-based program that operates in 31 counties. Local programs receive \$10 per student to provide a dental disease prevention program.

This program offers a community dental disease prevention program to school children in preschool through sixth grade. The program includes but is not limited to the following: (1) fluoride supplementation; (2) brushing and flossing instruction; (3) oral health education; (4) dental sealants; and (5) the requirement to convene a local advisory committee.

According to the DPH, most of the children who participate are selected and qualified by their participation in the federal Free School Lunch Program.

Subcommittee Staff Recommendation—Adopt Governor's Reduction. It should be noted that local school districts, as well as Local Health Jurisdictions can choose to provide assistance to this program. In addition, the CA Dental Foundation or other foundations could also choose to provide assistance. Though this program provides some benefits, it is a discretionary program and can obtain funds from other sources.

11. Housing Assistance for AIDS

Issue. A reduction of \$122,000 (General Fund) is proposed by the Governor for this program. The Office of AIDS states that this reduction would reduce funding for the Fresno and Solano Counties Housing Programs and for seventeen sites receiving funds for Residential AIDS Licensing Facilities.

AIDS housing assists with the stable housing needs of persons living with HIV/AIDS through the development of rental housing projects and long-term affordable housing units. This program works in conjunction with the federally funded Housing Opportunities for Persons with AIDS Program. The AIDS Housing Program contracts with Fresno and Solano Counties to assist with the stable housing needs of 286 clients and their families.

The Residential AIDS Licensing Facilities Program is designed to address the ongoing operational subsidy of existing facilities for the chronically ill serving clients with HIV disease. Currently, these funds are allocated based on the number of bed nights each facility has available for chronically ill individuals with HIV/AIDS. There are 17 sites in the following areas: Los Angeles, Santa Barbara, San Francisco, Sacramento, Alameda, Riverside, and San Diego. The program serves over 270 clients with 98,550 bed nights per year.

Prior Subcommittee Hearing. This issue was discussed in our April 14th hearing.

Subcommittee Staff Recommendation—Adopt Governor’s Reduction. The Governor’s funding reduction may require Fresno and Solano to backfill with federal Housing for People with AIDS funding (HOPWA).

According to the Office of AIDS, a total of \$3.7 million in federal funds is available for HOPWA.

12. HIV Counseling and Testing

Issue. A reduction of \$600,000 (General Fund) is proposed by the Governor. The Office of AIDS states that this reduction would reduce the contracts with Local Health Jurisdictions. Specifically, the reduction would reduce HIV testing by about 8,060 tests annually and opportunities to provide counseling services to HIV positive or high risk individuals.

The total amount available from the state for HIV Counseling and Testing would be \$9.860 million (\$8.225 million General Fund) for 2008-09, assuming this reduction.

Prior Subcommittee Hearing. This issue was discussed in our April 14th hearing.

Subcommittee Staff Recommendation—Adopt Governor’s Reduction. It is recommended to adopt the Governor’s reduction due to the fiscal crisis. It should be noted there are options for HIV testing outside of this program, including at community clinics on a sliding-fee scale basis, selective free clinics and home testing kits. Local funds can also be used for this purpose.

13. Early Intervention Sites

Issue. A reduction of \$200,000 (General Fund) is proposed by the Governor. The Office of AIDS states that this reduction would result in each contract being reduced by \$5,600 each.

The Early Intervention Program (EIP) sites provide HIV medical care and treatment as well as transmission prevention interventions for HIV-infected persons within the context of their clinical care. There are 36 EIP clinics statewide that serve 8,000 clients. The goals of the program are to interrupt the transmission of HIV. In addition to ongoing medical care, periodic client assessments, case conferencing and individual services plans are used to maximize client outcomes.

The Early Intervention Sites would receive \$14.9 million (\$8.1 million General Fund and \$6.8 million federal funds) for 2007-08 and \$14.4 million (\$7.4 million General Fund and \$6.9 million federal funds) if this reduction occurred.

Prior Subcommittee Hearing. This issue was discussed in our April 14th hearing.

Subcommittee Staff Recommendation—Adopt Governor’s Reduction. It is recommended to adopt the Governor’s reduction due to the fiscal crisis. Further as noted in the May Revision, the Early Intervention Sites are to receive a small increase in federal funds of almost the same amount as the General Fund reduction.

14. Home and Community Based Care for HIV/AIDS

Issue. A reduction of \$400,000 (General Fund) is proposed by the Governor. The Office of AIDS states that this reduction would reduce the number of HIV/AIDS clients receiving case management services.

This area provides comprehensive case management and direct care services to over 1,300 persons with AIDS to allow individuals to remain in their homes. Forty-four agencies receive funding to provide case management services.

The Home and Community Based Care Program would receive \$11.9 million (\$6.3 million General Fund and \$5.5 million federal funds) for 2008-09.

It should be noted that this program did receive an increase of \$3.5 million (federal funds) in 2007-08. For the budget year, a total of \$5.5 million in federal funds is available which reflects a slight decrease of \$100,000 (federal funds) from 2007-08. So this program was increase within the last two years due to federal funding availability.

Prior Subcommittee Hearing. This issue was discussed in our April 14th hearing.

Subcommittee Staff Recommendation—Adopt Governor's Reduction. It is recommended to adopt the Governor's reduction due to the fiscal crisis. Further as noted that this program, which is very effective, has recently received increases due to federal funding availability.

15. Governor's Proposed Reductions to Clinic Programs

Issue. The Governor is proposing a *total reduction of \$3.5 million* (General Fund) across several clinic programs administered by the Department of Health Care Services (DHCS). The Governor's proposed reduction reflects a 10 percent General Fund reduction.

In addition, the Governor is proposing trailer bill language to state that all of these programs are contingent upon appropriation in the annual Budget Act.

Generally, these clinic programs provide assistance to almost 400 clinics. Some clinics are more reliant on these state-supported funds than others, contingent on the community population whom they serve. All clinics that receive funding provide for some portion of uncompensated care in their communities. The proposed reductions are as follows:

DHCS Clinic Program Name	Governor's Proposed Reduction	Proposed 2008-09 General Fund (with reduction)	Proposed 2008-09 Total Funds (GF, Prop 99, federal)
1. Seasonal Agricultural Migratory Worker Clinics	-\$687,000	\$6,184,000	\$6,184,000
2. Rural Health Services Development Clinics	-\$820,000	\$7,383,000	\$7,383,000
3. American Indian Health Clinics	-\$650,000	\$5,817,000	\$6,241,000
4. Expanded Access to Primary Care Clinics	-\$1,350,000	\$12,150,000	\$25,666,000
5. Grants-In-Aid	-\$44,000	\$397,000	\$601,000
TOTAL (Rounded)	-\$3.5 million	\$31,931,000	\$46,075,000

According to the DHCS, the reduction would have the following affect on clinic visits:

- 21,750 less clinic visits in the Seasonal Agricultural Migratory Worker Clinics.
- 40,590 less clinic visits in the Rural Health Services Development Clinics.
- 37,100 less clinic visits for medical services, 19,500 less dental visits, and 16,900 less public nurse visits in the American Indian Health Clinics.
- 18,800 less clinic visits in the Expanded Access to Primary Care Clinics.
- 1,700 less clinic visits in the Grants-In-Aid Program.

Background—Seasonal Agricultural Migratory Workers Clinics. Under this program, a total of 79 clinics receive funds to provide comprehensive primary care to uninsured individuals who are seasonal, agricultural, and migrant workers. According to the DHCS, these clinics provided 217,665 medical, dental and health education/nutritionist visits.

Background—Rural Health Services Development Clinics. Under this program, a total of 122 clinics receive funds to provide comprehensive primary medical and dental care to rural populations. According to the DHCS, these clinics provided 405,924 medical, dental and health education visits.

Background—American Indian Health Clinics. Under this program, a total of 75 clinics receive funds to provide comprehensive primary medical and dental care, and public health nurse visits to American Indians. According to the DHCS, these clinics provided 370,912 medical visits, 194,487 dental visits and 169,302 public health nursing visits.

Background—Expanded Access to Primary Care Clinics. Under this program, primary care clinics are reimbursed for uncompensated care provided to uninsured persons with incomes at or below 200 percent of the federal poverty level. Uncompensated care visits are reimbursed at a rate of \$71.50. According to the DHCS, 423,160 uncompensated primary care visits were provided at 484 clinics.

It should be noted that the Governor's May Revision for Proposition 99 Funds significantly reduces funding to this important program. The reduction is from a decline in revenues and increases in caseload driven programs such as the Access for Infants and Mothers Program (for pregnant women) and the Managed Risk Medical Insurance Program (a high risk pool for people with medical needs who cannot obtain insurance).

Prior Subcommittee Hearing. The Subcommittee discussed this issue in its April 28th hearing.

Subcommittee Staff Comment and Recommendation— Modify the Governor's Proposal. All of these clinic programs are well established and have been operating efficiently and effectively for many, many years. These programs provide assistance to clinics in rural areas and urban areas, and often serve special populations in need of primary care and dental services.

It should be noted that some of the clinics participating in these programs are also classified as "Federally Qualified Health Centers" which means they can obtain a more comprehensive Medi-Cal rate by federal law. However, these clinics still provide a substantial amount of uncompensated care and their funding levels have substantially not increased over the many years.

But in an effort to consolidate programs and make some reductions, it is recommended to **(1)** reject the proposed trailer bill language since no statutory change is necessary; and **(2)** make the following General Fund adjustments:

- **(a)** Eliminate the Grants-In-Aid Program and *move* this \$601,000 (General Fund) to the Expanded Access to Primary Care Program (EAPC);
- **(b)** Increase the EAPCP by \$339,000 (Proposition 99 Funds) as referenced in item 18, below, in this Agenda;
- **(c)** Increase the EAPC by \$410,000 (General Fund) to provide the remaining backfill for the 10 percent reduction as proposed by the Governor; and
- **(d)** Restore the funding for the remaining programs, including the Seasonal Agricultural Migratory Worker Clinics (\$687,000); American Indian Clinics (\$650,000); and Rural Health Services Clinics (\$820,000), which equates to \$2.157 million;

This action would reduce General Fund support by a total of \$940,000 (General Fund), but would still maintain core programs.

17. Cigarette & Tobacco Product Surtax Funds—Proposition 99 Funding

Issue. The Governor's May Revision reflects a continued decline in Proposition 99 revenues for both 2007-08 and 2008-09. Specifically, the current year is estimated to be reduced further by \$7 million and 2008-09 is estimated to be reduced by \$15 million.

The DOF states that the projected decrease in revenues is primarily attributable to larger annual declines in cigarette consumption than had been assumed previously based on an analysis of historical consumption data. In addition, the forecast reflects a modest downward adjustment in the 18 to 64 population. The revised 2007-08 projection also incorporates updated data on cash collections.

Due to the decrease in revenues, the Governor's May Revision reflects decreases in funding for the California Healthcare for Indigents Program (CHIP) and the Rural Health Services Program totaling \$3 million in 2007-08 and \$9.8 million in 2008-09.

Key programs as proposed by the Governor's May Revision are as follows:

- **CA Healthcare for the Indigent Program.** The Administration decreases this program from a total of \$31.4 million in January to a total of \$22.3 million at the May Revision. This is due to a decline in revenues and a need to maintain caseload adjustments in other programs, most notably the Access for Infants and Mothers (AIM) Program which provides pregnancy services under the Managed Risk Medical Insurance Board.

It should be noted that funding assistance for uncompensated physician emergency medical services within the CA Healthcare for Indigent Persons Program and the Rural Health Services Program is maintained at \$24.8 million

- **Breast Cancer Early Detection.** No changes.
- **Expanded Access to Primary Care Clinics.** No changes from January 2008-09 budget. But the 2008-09 level is \$13.2 million (Proposition 99 Funds) less than provided in the current year. This is due to the revenue decline and caseload increases in the Access for Infants and Mothers Program, as well as funding the Managed Risk Medical Insurance Program.
- **Asthma.** No changes.
- **Children's Hospitals.** No changes.
- **Orthopedic Hospital Settlement.** No changes.
- **Various Health Education Programs.** No changes.

Subcommittee Staff Recommendation—Modify the May Revision. As noted, Proposition 99 revenues continue to decline. As such, it is important to utilize these funds as efficiently and as effectively as possible.

To this end, it is recommended to delete the \$339,000 (Proposition 99 Funds) provide to Children's Hospitals and to direct these funds to the Expanded Access to Primary Care Clinics (EAPC). This action would help backfill for the General Fund reduction to the EPAC Program, as identified in issue #17, above in the Agenda. These funds can provide almost 5,000 clinic visits.

It is also recommended to approve the Governor's reduction to the CHIP Program as noted above due to revenue shortfalls.

18. Fatal Child Abuse and Neglect Surveillance

Issue. The Governor is proposing a \$15,000 (General Fund) reduction, or 10 percent, to the Fatal Child Abuse and Neglect Surveillance Program. Presently this program is funded at \$150,000 (General Fund).

According to the DPH, the Governor's reduction would be assessed on all 58 counties by taking 10 percent of each of their contracts for this program. The counties are funded at an average of \$2,500 each, depending on size. Therefore, the reductions would range from \$40 for the smallest county to \$5,000 for the largest county.

Under the program, the Department of Public Health (DPH) coordinates and integrates state and local efforts to address fatal abuse and neglect and creates a body of information that could be used to prevent child deaths. This program maintains a statewide tracking system incorporating information collected by local child death review teams who are reimbursed for submitting this data. The DPH collects this data to report to the State Child Death Review Council.

Subcommittee Staff Recommendation—Modify. The DPH is presently administering a special project within the federal Maternal and Child Health branch called the Fetal Infant Mortality Review Program. This program is funded at \$500,000 and has been in operation for several years. This program is very similar to the Fatal Child Abuse and Neglect Surveillance Program in its approach of analyzing data and working with counties to obtain data.

Therefore, it is recommended to eliminate the \$150,000 (General Fund) for the Fatal Child Surveillance Program and to use federal Maternal and Child Health funds to backfill for this amount. Hopefully the DPH can consolidate the programs and bring about some efficiency in their data collection. The \$150,000 in federal Maternal and Child Health funds would be redirected from state support to local assistance for this purpose. The DPH may choose to reduce operating expenses or delete state positions for this purpose. No local assistance contracts would be reduced from this action.

D. Vote Only-- 4270 CA Medical Assistance Commission (CMAC)

1. Governor's 10 Percent Reduction—May Revision Federal Adjustment

Issue. The May Revision makes a technical conforming adjustment to the federal fund portion of the Governor's 10 percent reduction.

This 10 percent reduction was already taken by the Subcommittee.

Subcommittee Staff Recommendation—Adopt May Revision. No issues have been raised regarding the May Revision federal fund adjustment. The General Fund is not affected by this action.

E. Vote Only—4300 Department of Developmental Services

1. Governor's 10 Percent Reduction—Adjustments for May Revision

Issue. The Subcommittee is in receipt of a technical Finance Letter that contains a series of adjustments to the Governor's 10 percent reductions as updated for the May Revision which *only* pertains to special fund adjustments (i.e., federal funds and reimbursements). There are no General Fund impacts.

This technical letter makes adjustments needed to correct the Governor's budget which were adopted in Special Session and in previous Subcommittee actions.

Subcommittee Staff Recommendation—Adopt May Revision. These are technical adjustments regarding receipt of federal funds and reimbursements only. There is no General Fund impact.

2. Governor's Reversion Language for Current Year Regional Center Savings

Issue. The Subcommittee is in receipt of a Finance Letter requesting the adoption of Budget Bill Language to revert an estimated \$88.8 million (General Fund) for 2007-08 for the budget for the Regional Centers.

The DDS states that this is do to a re-estimation of Regional Center Operations and the Purchase of Services (POS) expenditures.

The proposed Budget Bill Language is as follows:

4300-495 Reversion, Department of Developmental Services. As of June 30, 2008, the balances of the appropriations provided in the following citations shall revert to the funds from which the appropriations were made.

0001—General Fund

(1) Item 4300-101-0001, Budget Act of 2007 (Chapters 171 and 172, Statutes of 2007). Up to \$88,772,000 appropriated in Program 10.10.010—Operations, Program 10.10.020-Purchase of Services, and Reimbursements.

(2) Item 4300-101-0001, Budget Act of 2007 (Chapters 171 and 172, Statutes of 2007). Up to \$20,000 appropriated in Program 10.10.020—Regional Centers: Purchase of Services, Risk Pool, Self-Directed Services.

Subcommittee Staff Recommendation—Adopt Governor's Language. It is recommended to adopt this language and to recognize \$88.7 million (General Fund) in unexpended General Fund support. Based on information provided by the DDS, these funds will *not* be needed in the current-year (2007-08) to provide services and supports to individuals with developmental disabilities.

3. Governor's Reduction to Supported Employment Programs

Issue. The Governor is proposing a reduction of \$9.6 million (\$7.7 million General Fund) to reduce the 24 percent rate increase provided to Supported Employment Programs in the Budget Act of 2006, by 10 percent.

The Governor's proposed 10 percent reduction would reduce the rate for job coach services from \$34.24 to \$30.82 per hour. Trailer bill language would be needed to implement this reduction. The savings level assumes a July 1, 2008 effective date.

The Budget Act of 2006 provided a 24 percent increase in Supported Employment Programs to assist in the development of employment services for persons with developmental disabilities. Specifically, it was increased from \$27.62 per hour to \$34.24 per hour. This rate increase was expected to assist in the development of 600 additional new jobs annually.

Background—Supported Employment Programs. Supported employment provides opportunities for persons with developmental disabilities to work in the community, in integrated settings, with support services provided by community rehabilitation programs. These services enable consumers to learn necessary job skills and maintain employment. Supported Employment Programs provide services for individually employed consumers (individual placements), as well as consumers employed in group settings (group employment.). The caseload is affected by Regional Centers referring consumers for supported employment from "Work Activity Programs" (WAPs), Day Programs, schools or other programs. Caseload is also impacted by employment opportunities within the community and the ability of consumers to obtain and maintain employment. These factors are critical because these services are only purchased when the consumer is employed.

Legislative Analyst's Office Recommendation—Adopt Governor's Reduction. The LAO recommends adoption of the Governor's 10 percent reduction.

Prior Hearings. This issue was discussed in full committee on February 4th and in Subcommittee on April 17th.

Subcommittee Staff Recommends—Adopt the Governor's 10 Percent. Due to the fiscal crisis, it is recommended to adopt the Governor's reduction. These programs would still sustain almost a 15 percent rate increase as compared with the Budget Act of 2006 (when they received the 24 percent increase).

F. Vote Only—4400 Department of Mental Health

1. Governor's Elimination of Community Treatment Facilities (January Proposal)

Issue. The Governor proposes to eliminate the state's share of a supplemental rate paid to CTFs for a total reduction of \$1.2 million (General Fund). This was part of the Governor's January proposal and it assumed a March 1, 2008 implementation date. The Administration is requesting statutory change to implement this proposal.

Prior Hearings. This issue was discussed in the full Committee on February 4th and in the Subcommittee in March. Public testimony was obtained at both hearings.

Background on CTFs. Community Treatment Facilities (CTFs), provide secured residential care for the treatment of children diagnosed as being seriously emotionally disturbed (SED). These are locked facilities that provide intensive treatment. CTFs were created as an alternative to out-of-state placement and state hospitalization for some children. The DMH and Department of Social Services have joint protocols for the oversight of these facilities.

The Budget Act of 2001 and related legislation provided supplemental payments to CTFs. These supplemental payments consist of both state (40 percent) and county (60 percent) funding. There were five CTFs in CA at the time of the development of the state's \$1.2 million (General Fund) portion. These CTFs were as follows: (1) San Francisco Community Alternatives; (2) Seneca-Oak Community Alternatives in Concord; (3) Starlight Adolescent Center in San Jose; (4) Starview Children & Family in Santa Clara; and (5) Vista Del Mar Child & Family Services in Los Angeles. Two of these facilities recently closed in 2008 for various reasons.

Subcommittee Staff Recommendation—Modify Proposal to Reflect CTF Closures.

At the time the \$1.2 million supplemental rate was provided there were five CTFs with a total of 140 beds. There are now three CTFs with a total of 86 beds.

Due to the reduction in beds, Subcommittee staff recommends to provide **a total appropriation of \$750,000 (General Fund)** in lieu of the Governor's complete elimination or the full restoration of \$1.2 million which is not warranted. This level of funding will provide the same amount on a per bed basis as previously allocated.

In addition, trailer bill language is not necessary since existing statute was only applicable for past year levels and is silent regarding any ongoing funding level. It is recommended to adopt Budget Bill Language to identify the amount and purpose of the expenditure as follows:

Provisional Language:

- x. Of the amount appropriated in this Item, \$750,000 shall be used to provide a supplemental payment to Community Treatment Facilities for 2008-09.

2. Adjustments for Conditional Release Program (CONREP) (Finance Letter)

Issue. The Subcommittee is in receipt of a Finance Letter to increase the CONREP by \$600,000 (General Fund) to support up to four court-ordered alternative placements for Sexually Violent Predators (SVPs). This funding level reflects the existing methodology.

The DMH contracts with Liberty Healthcare for the ongoing operation of this component of CONREP, including direct service costs for the patients' living arrangements, treatment and supervision. Statute requires that SVPs be conditionally released into their county of domicile, thus Liberty Healthcare must receive sufficient funding to be able to provide treatment and supervision services when an SVP is court-ordered conditionally released to a county.

Background—CONREP. This program provides for **(1)** outpatient services to patients into the Conditional Release Program (CONREP) via either a court order or as a condition of parole, and **(2)** hospital liaison visits to patients continuing their inpatient treatment at State Hospitals who may eventually enter CONREP. **The patient population includes:** (1) Not Guilty by Reason of Insanity, (2) Mentally Disordered Offenders, (3) Mentally Disordered Sex Offenders, and (4) Sexually Violent Predators.

The DMH contracts with counties and private organizations to provide these mandated services in the state, although patients remain DMH's responsibility per statute when they are court-ordered into CONREP community treatment and supervision. The program as developed by the DMH includes sex offender treatment, dynamic risk assessments, and certain screening and diagnostic tools. Supervision and monitoring tools include Global Positioning System (GPS), polygraphs, substance abuse screening, and collaboration with law enforcement.

In addition to the services provided through the contracts as referenced above, the DMH administers the State Transitional Residential Program (STRP) which is another component of the CONREP continuum of care. This program operates 40 beds located in three licensed non-medical facilities providing a highly structured residential program assisting patients' transition from the State Hospital system to the community. Typically, patients in a STRP facility stay about three to four months.

Subcommittee Staff Recommendation—Approve. No issues have been raised with this proposal. It is recommended to approve the increase for the budget year.

3. Healthy Families Program for Supplemental Mental Health (Finance Letter)

Issue. The May Revision for the supplemental mental health services provided under the Healthy Families Program (HFP) as administered by the Department of Mental Health (DMH) reflects *two* adjustments.

First, it continues the Governor's proposed 10 percent reduction to the program as recalculated using under the May Revision. Therefore, the updated 10 percent reduction is \$52,000 (General Fund), versus the proposed reduction of \$71,000 (General Fund) from January.

Second, the baseline program has been updated for May Revision, including adjustments for caseload and expenditures which would occur on the natural. These adjustments reflect a reduction of \$6,449,000 (reduction of \$190,000 General Fund and reduction of \$6,259,000 in reimbursements).

Background—What is the HFP and How are Supplemental Mental Health Services Provided? The Healthy Families Program provides health insurance coverage, dental and vision services to children between the ages of birth to 19 years with family incomes at or below 250 percent of poverty (with income deductions) who are not eligible for no-cost Medi-Cal.

The enabling Healthy Families Program statute linked the insurance plan benefits with a supplemental program to refer children who have been diagnosed as being seriously emotionally disturbed (SED). The supplemental services provided to Healthy Families children who are SED can be billed by County Mental Health Plans to the state for a federal Title XXI match. Counties pay the non-federal share from their County Realignment funds (Mental Health Subaccount) to the extent resources are available. With respect to legal immigrant children, the state provides 65 percent General Fund financing and the counties provide a 35 percent match.

Under this arrangement, the Healthy Families Program health plans are required to sign Memoranda of Understanding (MOU) with each applicable county. These MOUs outline the procedures for referral. It should be noted that the health plans are compelled, as part of the required Healthy Families benefit package and capitation rate, to provide certain specified mental health treatment benefits *prior* to referral to the counties.

Prior Subcommittee Action (March 24th). In this hearing the Subcommittee rejected the Governor's 10 percent reduction and therefore, increased by \$71,000 (General Fund). (This figure has been updated per the Governor's May Revision.)

Subcommittee Staff Recommendation—Reject 10 Percent and Adopt Caseload Adjustments. It is recommended to **(1)** reject the Governor's 10 percent reduction as modified by the May Revision; *and* **(2)** adopt the proposed caseload adjustments for the budget year.

(Technical note to the DOF: Delete the amendment from the prior Subcommittee action for the 10 percent and reflect the rejection of the 10 percent per the updated May Revision amount.)

4. Caregiver Resource Centers (January Proposal)—Conform to Assembly

Issue. The Governor proposes a 10 percent reduction to the CA Caregiver Resource Center system which includes a \$400,000 (General Fund) reduction in the current year *and* a \$1.2 million (General Fund) reduction for 2008-09. The program was originally funded at \$11.7 million (General Fund).

As noted below, the Legislature did adopt the Governor's current-year reduction of \$400,000. Further, the Assembly Subcommittee #1 has also adopted the Governor's reduction of \$1.2 million (General Fund). The DMH states that it is their intent to make the reduction to the Centers in a manner intended to mitigate any affects on direct services.

Prior Hearings. This issue was discussed on February 4th in the full Committee and on March 24th in the Subcommittee. Public testimony was heard in both hearings.

Special Session Action—Current Year Reduced. Due to fiscal constraints, the Legislature adopted the Governor's 10 percent reduction of \$400,000 (General Fund) for the current year. This action reduced the current-year appropriation to a revised total of \$11.3 million (General Fund).

Background. The CA Caregiver Resource Center system provides assistance to about 13,000 families who are caring for an adult family member at home. Assistance includes consultation and care planning, counseling and support planning groups, education and training, legal and financial planning, respite care, and other mental health interventions.

The DMH contracts with 11 agencies statewide for these services. The availability of this assistance assists to delay if not eliminate the admission of family members to long-term care institutions.

Legislative Analyst's Office Recommendation—Adopt Governor's Reduction. The LAO did include this reduction in her alternative budget. The Assembly Subcommittee #1 has also adopted the budget year reduction of \$1.2 million (General Fund).

Subcommittee Staff Recommendation—Adopt Governor's Reduction . Due to the fiscal crisis, it is recommended to conform to the Assembly and adopt the Governor's \$1.2 million (General Fund) reduction.

5. Medi-Cal Mental Health Managed Care—May Revision & Governor’s Reductions

Issue. For the May Revision, the Administration is proposing to continue the Governor’s 10 percent reduction of \$23.8 million (General Fund) to the amount the state provides in support of Medi-Cal Mental Health Managed Care.

However, the DMH is now proposing an “unallocated” reduction approach to this proposed reduction. In January the DMH had specifically targeted elimination of the minor consent program, a 5 percent rate reduction and elimination of state support for certain federal regulation assistance.

In addition, the DMH is proposing a minor adjustment of \$22,000 (General Fund) to account for standard baseline adjustments which would occur on the natural, such as for caseload and related items.

Therefore, the DMH is proposing a total appropriation of \$214.4 million (General Fund), including the 10 percent unallocated reduction of \$23.8 million.

Background—How Mental Health Managed Care is Funded: Under this model, County Mental Health Plans (County MHPs) generally are at risk for the state matching funds for services provided to Medi-Cal recipients and claim federal matching funds on a cost or negotiated rate basis. County MHPs access County Realignment Funds (Mental Health Subaccount) for this purpose.

An annual state General Fund allocation is also provided to the County MHP’s. The state General Fund allocation is usually updated each fiscal year to reflect adjustments as contained in Chapter 633, Statutes of 1994 (AB 757, Polanco). These adjustments have included changes in the number of eligibles served, factors pertaining to changes to the consumer price index (CPI) for medical services, and other relevant cost items. **The state’s allocation is contingent upon appropriation through the annual Budget Act.**

Based on the most recent estimate of expenditure data for Mental Health Managed Care, County MHPs provided a 47 percent match while the state provided a 53 percent match. (Adding these two funding sources together equates to 100 percent of the state’s match in order to draw down the federal Medicaid funds.)

Background—Overview of Mental Health Managed Care: Under Medi-Cal Mental Health Managed Care psychiatric inpatient hospital services and outpatient specialty mental health services, such as clinic outpatient providers, psychiatrists, psychologists and some nursing services, are the responsibility of a single entity, the Mental Health Plan (MHP) in each county.

Full consolidation was completed in June 1998. This consolidation required a Medicaid Waiver (“freedom of choice”) and as such, the approval of the federal government. Medi-Cal recipients must obtain their mental health services through the County MHP.

The Waiver promotes plan improvement in three significant areas—access, quality and cost-effectiveness/neutrality. The DMH is responsible for monitoring and oversight activities of the County MHPs to ensure quality of care and to comply with federal and state requirements.

Background—Previous Rate Reduction to Mental Health Managed Care Program.

The Mental Health Managed Care Program, along with rates paid to other Medi-Cal Program providers, was reduced by 5 percent for a two-year period (from 2003 to 2005) as contained in legislation. Though the rates paid to providers of health care services under the Medi-Cal Program were restored in 2005, efforts to restore the five percent for this program have not succeeded. In addition, adjustments for certain medical cost-of-living-adjustments have not been provided by the state to County MHPs since 2000.

The Subcommittee is in receipt of a letter from several constituency groups expressing concern with the Governor's proposed reductions. Among other things, they note that although the Mental Health Services Act (i.e., Proposition 63) provided new revenues for mental health services, revenues from this act cannot be used to supplant existing programs or backfill for General Fund support.

Subcommittee Staff Recommendation—Modify the May Revision. The Governor's ten percent unallocated reduction for this program raises *potential* concerns regarding maintenance of effort provisions as contained in the Mental Health Services Act (Proposition 63), Statutes of 2004. It is therefore recommended to reject this approach.

However, Subcommittee staff recommends a reduction of \$5.350 million (General Fund) provided to County Mental Health Plans for administration of federal regulations which were issued several years ago regarding providing informing materials to Medi-Cal enrollees regarding mental health treatment services. This reduction is recommended for the following reasons:

- Implementation of the federal regulations initially required more expenditure as the process was newly established and required more workload;
- The Administration is in the process of re-negotiating California's Medi-Cal Mental Health Waiver and has the opportunity to streamline these requirements;
- County Mental Health Plans need to provide a certain modicum of support for informing materials and related aspects to the federal requirements; as such, it is reasonable to expect that they would share in the cost and even be deemed to be meeting many of the requirements by what they provide in the first place; and
- If needed, additional sources of funding could be obtained, such as from foundations for special projects related to consumer awareness and choices.

Further, the Mental Health Services Act has been very beneficial in providing information regarding mental health services and treatment and has undoubtedly facilitated in this process on the natural. The DMH should discuss this aspect with the federal CMS in their negotiations.

Therefore it is recommended to **(1)** reject the Governor's 10 percent unallocated reduction of \$23.8 million (General Fund); **(2)** adopt the technical baseline adjustment increase of \$22,000 (General Fund); and **(3)** reduce by \$5.350 million (General Fund) to delete state support for the federal regulations.

6. San Mateo Pharmacy Project—Two Technical Issues

Issues. First, the Department of Finance has requested through the May Revision process technical provisional language which allows for the allocation of General Fund moneys, as already provided for by the Subcommittee, to pay prior years' claims from 2004-05 and 2005-06. This language will simply serve to provide a historical technical reference that funds were provided for this purpose (in the event the State Controller or others have questions).

The DOF proposed language is as follows:

“Of the amount appropriated in this Item, a portion is for costs and claims incurred by the San Mateo Pharmacy and Laboratory Services Program in the 2004-05 and 2005-06 fiscal years.”

Second, the DMH needs to adjust the 10 percent reduction proposed for the Project and adopted by the Subcommittee. The May Revision proposes a reduction of \$928,000 (General Fund) not \$964,000 (General Fund) as proposed in January.

Subcommittee Staff Recommendation—Adopt the Proposed Language and Technical Adjustment. No issues have been raised. It is recommended to approve the above language and to adopt the May Revision adjustment for the 10 percent reduction. All other previous Subcommittee actions remain the same.

7. Administration's Technical Scheduling Correction

Issue. The DOF has informed the Subcommittee that a technical scheduling shift between state support items within the DMH needs to be done to appropriately reflect an administrative reduction as proposed through the Governor's 10 percent reduction process and as adopted by the Subcommittee. The adjustment pertains to administrative services and information technology projects.

Subcommittee Staff Recommendation—Adopt Scheduling Change. No issues have been raised.

8. May Revision Adjustments for the State Hospitals

Issues. The Governor's May Revision contains various adjustments for the State Hospitals as they pertain to patient population and expenditures. Several of these adjustments correspond to reductions already taken by the Subcommittee based on Legislative Analyst's Office (LAO) recommendations. Other adjustments are technical and relate to staffing compliments that are needed to appropriately address patient care as well as facility operations, such as food service, plant operations and related functions.

The four key adjustments include the following:

- Decrease of \$24.742 million and 245 positions to reflect the full-year impact of current-year reductions in patient population (DOF issue #220);
- Decrease of \$328,000 to reflect a decrease in the number of positions associated with the continued activation of Coalinga State Hospital (DOF issue #221);
- Decrease of \$13.3 million and 130 positions to reflect a net decrease in the Judicially Committed/Penal Code population of 188 patients (DOF issue #223); and
- Increase of \$6.7 million and 50 positions to support a 64-bed expansion of the Salinas Valley Psychiatric Program as required by the Coleman Court.

The LAO concurs with these revised adjustments.

Subcommittee Staff Recommendation—Adopt May Revision. It is recommended to rescind the Subcommittee's March 24th action to reduce as recommended by the LAO and to instead, adopt the May Revision estimate.

Though the LAO recommendation was very valuable, due to other technical adjustments in the Administration's May Revision package, this recommended action will provide for a more accurate base for 2008-09.

II. ISSUES FOR DISCUSSION

A. Department of Mental Health

1. Adjustments to the Early and Periodic Screening, Diagnosis & Treatment

Issues. There are a series of adjustments that are needed for the EPSDT Program. These adjustments pertain to **(1)** the Governor's reduction proposals from January and adjusted for the May Revision; **(2)** an alternative to one of the reduction proposals; **(3)** adjustments to actions taken in the Special Session which affect budget year that need technical adjustments due to the May Revision; and **(4)** other "baseline" adjustments to the EPSDT Program that are occurring due to the May Revision. All of these issues are discussed below.

In his January budget, the Governor proposed significant reductions to the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program through the Special Session and for the budget year. These reductions consisted of several distinct proposals.

These reductions were discussed in detail in the full Committee on February 4th and in the Subcommittee on March 24th.

The Legislature did adopt two of the Governor's proposals, as noted below in the table regarding Special Session actions, which are being updated for May Revision to account for caseload and expenditure adjustments that would normally occur.

The remaining two "open" issues from the Governor's reduction package include: **(1)** to reduce the Schedule of Maximum Allowances (a complex rate methodology); and **(2)** to require a six-month reauthorization for Day Treatment Services.

With respect to the Schedule of Maximum Allowances, it is the belief of Subcommittee staff that this proposal would likely lead to litigation and would be problematic to implement. It is recommended to *reject* this reduction proposal.

Regarding the Administration's proposal to require a six-month reauthorization for Day Treatment Services, in both hearings it was evident that the proposal was not plausible and would in fact eliminate 2,003 children with serious emotional disturbances from receiving Day Treatment services.

As such, the DMH has been meeting with constituency groups to see if other options are available to provide EPSDT Day Treatment Services with a more enhanced evidence-based approach to progress a child's treatment. Due to the time limitations with the Governor's May Revision, a comprehensive package could not be developed for release last week by the Administration.

As such, Subcommittee staff is proposing to utilize components of the DMH's work with constituency groups to propose an alternative as **outlined below**:

"Alternative"—EPSDT Statewide Performance Improvement Project

Using APS Healthcare, the DMH's contractor used for conducting quality reviews as required for Medi-Cal purposes, a statewide performance improvement project approach would be used to review the services being provided under the EPSDT Program for the highest 3 percent of service users, as determined by their average monthly dollar value of approved claims. These reviews would evaluate the spectrum and amount of services provided to these high-end users in order to streamline and coordinate care for quality purposes.

Therefore, on the natural, cost savings would be achieved through administrative and service strategies/interventions targeting coordination and integration of care through appropriate case management. The interventions applied would result in more efficient EPSDT service delivery while reducing total program costs for high-end users.

The DMH has completed some preliminary analysis of EPSDT data and the highest 3 percent group, as referenced above, was found to represent 5,518 clients who have an average monthly cost for services equal or greater than \$3,000. These clients were found to have received services costing \$242 million (total funds), or about 25 percent of the total annual expenditures for the program.

The DMH has consulted with representatives from various key constituency groups and stakeholders, including individuals with clinical expertise and evidence-based practice expertise. Based on these varied discussions, it appears that an overall program reduction of 12 percent can occur from increasing quality, effectiveness and efficiency of service delivery to children.

With respect to an **operational plan** for this alternative *EPSDT Statewide Performance Improvement Project*, the following components are provided:

- County Mental Health Plans would identify children enrolled in the EPSDT (i.e., the 3 percent target grouping).
- The APS Healthcare and CA Institute for Mental Health would provide monitoring and technical assistance to the project. (The DMH has existing contracts with these entities for "performance improvement projects" already and this project can be substituted for others as applicable/appropriate.)
- The project would be guided by a quality improvement process and a "plan-do-check-act" cycle where strategies/interventions are implemented and then data are examined again to determine the effectiveness of the quality and cost-reduction strategies.
- Each county would design strategies and interventions specific to their needs in achieving quality and efficiency goals. They will also need to conduct frequent utilization reviews in order to inform the process ongoing.

This would be done in *lieu* of the Administration's six-month reauthorization for Day Treatment Services (i.e., reject the Administration's six-month reauthorization and adopt the "alternative").

Subcommittee staff would recommend the following *placeholder* trailer bill language to implement this proposal.

Add to Section 5777 (g) (i.e., pertains to Medi-Cal Waiver contracting activities) the following:

(1) Commencing July 1, 2008, county Mental Health Plans, in collaboration with the department, the federally required external review organization, providers and other stakeholders, shall establish an advisory statewide performance improvement project (PIP) to increase the quality, effectiveness and efficiency of service delivery to children receiving at least \$3,000 per month in EPSDT services. The statewide PIP will replace one of the two required PIPs that county Mental Health Plans must perform under federal regulations outlined in the Mental Health Plan contract.

The federally required external quality review organization shall provide independent oversight and reviews with recommendations and findings or summaries of findings, as appropriate, from a statewide perspective. This information shall be accessible to county mental health plans, the department, county welfare directors, providers and other interested stakeholders in a manner that both facilitates and allows for a comprehensive quality improvement process for the EPSDT Program.

Each July, the department, in consultation with the external quality review organization and the county Mental Health Plans, shall determine the average monthly cost threshold for counties to use to identify children currently receiving services whose care costs of EPSDT services exceed that monthly cost on average over the total consecutive months in which services were delivered. The department shall consult with representatives of county mental health directors, county welfare directors, providers and the federally required external quality review organization in setting the annual average monthly cost threshold and in implementing the statewide PIP. The department shall provide an annual update to the Legislature on the results of this statewide PIP by October 1 of each year for the prior fiscal year.

It is the intent of the Legislature for the EPSDT PIP to increase the quality, effectiveness and efficiency of service delivery to children receiving EPSDT services and to facilitate evidence-based practices within the program to ensure that children are receiving appropriate mental health services for their mental health wellness.

This provision shall sunset on September 1, 2011 and shall be repealed by December 31, 2011 unless subsequent legislation is enacted to extend it.

It is *estimated* that a savings of about 12 percent could be achieved from implementation of the EPSDT PIP, or \$29.1 million (\$12.150 million General Fund, \$2.3 million County Funds and \$14.5 million federal funds).

Special Session Actions by Legislature and Updated May Revision Amounts. The Legislature did adopt two of the Governor's reduction proposals in Special Session as shown in the table below. The Subcommittee will need to adopt the May Revision amounts for these two actions due to technical adjustments for caseload and expenditures that naturally occur when the program is recalculated at May.

Governor's Proposal	Current Year (General Fund) Special Session	January Estimate 2008-09 (General Fund)	May Revision 2008-09 (General Fund)
Elimination of COLA	-\$1,878,000	-\$7,516,000	-\$7,389,000
Reduce Costs from DMH Monitoring	-\$1,768,000	-\$7,092,000	-\$6,498,000
Total Amounts	-\$3,646,000	-\$14,608,000	-\$13,887,000

"Baseline" EPSDT Adjustments for May Revision Reflects Reduction. The EPSDT Program is re-estimated at the May Revision to reflect updated caseload information and costs.

According to the DMH, a reduction of \$12.108 (General Fund) is needed to reflect this update to the baseline program. This reflects baseline adjustments according to a standard methodology.

Subcommittee Staff Recommendation. Based on the above information, the following actions are recommended:

- Reject the Governor's proposal to change the Schedule of Maximum Allowances.
- Adopt the "Alternative" EPSDT Statewide Performance Improvement Project *in lieu* of the Administration's six-month reauthorization for Day Treatment Services proposal. this requires the following *two* technical actions:
 - (1) Reduce by \$12.150 million (General Fund) to reflect adoption of the "Alternative" EPSDT PIP proposal;
 - (2) Adopt the proposed *placeholder* trailer bill language as contained in the Agenda above.
- Adopt the May Revision adjustments for the two Special Session actions adopted by the Legislature as shown in the table above to reflect the 2008-09 *on-going* effects of the reductions enacted.
- Adopt the May Revision "baseline" adjustment for May Revision which reflects a decrease of \$12.108 million (General Fund).

The table below provides a summary of the General Fund piece of these recommended adjustments for **2008-09**.

Description of Adjustments in Subcommittee Proposal	2008-09 General Fund Amount
Adjusted Baseline for EPSDT for 2008-09	\$505,447,000
Reject Governor's Schedule of Maximum Allowances Changes	0
Adopt "Alternative" EPSDT Performance Improvement Project	-\$12,150,000
Special Session Actions, adjusted for May Revision. (This includes the elimination of the COLA and the increased monitoring by the DMH.)	-\$13,887,000
Baseline EPSDT Program adjustments for May Revision	-\$12,108,000
TOTAL Revised General Fund Amount for 2008-09	\$467,302,000

(Adjustments are per the May Revision Update)

Questions. The Subcommittee has requested the Administration to respond to the following questions.

1. DMH, Please comment on the "Alternative" EPSDT Statewide Performance Improvement Project. Is it workable?

2. Increased Budget Authority for Mental Health Services Act Funding

Issue. The Subcommittee is in receipt of information from various stakeholders requesting an adjustment to the Department of Mental Health's (DMH) budget for the statewide initiatives adopted in the Subcommittee on May 12th as contained in a Finance Letter.

Based on discussions, there appears to be a consensus that the appropriation authority of the DMH needs to be increase by a total of \$25 million (Mental Health Services Act Funds) in order to meet the needs identified for the statewide projects, as well as timelines that have been identified.

All of these funds would flow from local assistance (i.e., counties) to the DMH for expenditure since these are statewide initiatives. Under current legal interpretation of the MHSA Act, counties must first receive the MHSA Funds and can then reassign them to the state, such as in this case for the identified statewide initiatives. Therefore, DMH expenditure authority is needed to fully utilize the funds.

The statewide projects and the requested increases in Mental Health Services Act Funds are each described below.

- **Student Mental Health Initiative.** An increase of \$7 million (Mental Health Services Act Funds) is needed to fully fund this initiative. Of this increase, \$6.5 million would be for K-12, and \$500,000 would be for higher education.

The Mental Health Services Oversight and Accountability Commission (OAC) approved \$15 million annually for four years for this initiative. Of this amount, it dedicated \$8.5 million to higher education and \$6.5 million to K-12 education. However, the Finance Letter only provided authority for \$8 million. In order for the OAC to direct DMH to fully implement this initiative the additional \$7 million (Mental Health Services Act) is needed.

This initiative incorporates strategies to identify students with potential mental health problems in K-12 settings and to support those with diagnosed mental illnesses as part of a comprehensive student mental health strategy. Practical experience and academic literature demonstrate that mental health problems that can lead to school violence begin early, in primary, middle and high schools.

- **Statewide Initiative on Stigma and Discrimination Reduction.** An increase of \$15 million (Mental Health Services Act Funds) is needed to fully fund this initiative.

The Mental Health Services Oversight and Accountability Commission (OAC) has approved a total of \$30 million annually for four years for this initiative. However, only \$15 million has been appropriated for this purpose. Therefore, an additional \$15 million is needed.

- Statewide Initiative on Suicide Prevention. An increase of \$3 million (Mental Health Services Act Funds) is needed to fully fund this initiative.

The Mental Health Services Oversight and Accountability Commission (OAC) approved \$14 million annually for four years for this initiative. The OAC dedicated \$4 million of this amount to the Student Mental Health Initiative, leaving \$10 million for the Statewide Initiative on Suicide Prevention. The Finance Letter included only \$7 million to implement this. Therefore, the DMH needs an increase of \$3 million (Mental Health Services Act Funds).

In addition to the proposed increase of \$25 million (Mental Health Services Act Funds), the following uncodified trailer bill language is proposed to ensure that the Mental Health Services Oversight and Accountability Commission (OAC) has timely access to data from these statewide initiatives. The proposed trailer bill language is as follows:

“The Department of Mental Health shall provide the Mental Health Services Oversight and Accountability Commission (OAC) with data, as specified and requested by the OAC, for the purpose of the OAC to utilize in its oversight, review and evaluation capacity regarding projects and programs funded with Mental Health Services Act funds.”

B. Department of Public Health

1. Licensing and Certification: Governor's Fee Increases

Issue. In its April 28th hearing, the Subcommittee discussed the Governor's substantial Licensing and Certification (L&C) Fee increases and took some actions to mitigate these proposed increases to various health care facilities. The purpose of this hearing is to make additional adjustments to reduce fees while maintaining appropriate patient safety and protections.

Commencing with the Budget Act of 2006, the Governor has *annually* proposed significant increases in the fees paid by health care facilities and agencies (i.e., "Non-State" health facilities).

Through a number of means, the Legislature has annually acted to mitigate the Administration's substantial fee increases, including requiring improved time keeping systems, the unbundling of facility types to more appropriately allocate costs, adjusting state staffing requirements, recognizing other revenues collected by the L&C Division to offset L&C Fees, and providing a small General Fund subsidy for certain non-profit community-based facilities.

The Governor's proposed L&C Fee increases are shown in the table below, as compared to those approved by the Legislature through the Budget Act of 2007. As noted below, in most instances the Governor is proposing *substantial fee increases* for 2008-09.

Governor's Proposed Licensing and Certification Fee Schedule Increases

Facility Type	Fee Category	2007-08 Fee (Budget Act 2007)	Governor's 2008-09 Fee	Difference (+/-) (Rounded)	Percent Change (Rounded)
Referral Agencies	per facility	\$6,798.11	\$6,216.49	-\$582	-8.6%
Adult Day Health Centers	per facility	\$4,383.14	\$5,030.16	\$647	14.7%
Home Health Agencies	per facility	\$3,867.14	\$5,260.47	\$1,393	36%
Community-Based Clinics	per facility	\$871.13	\$1,349.93	\$479	55%
Psychology Clinic	per facility	\$2,296.58	\$3,565.26	\$1,268	55%
Rehabilitation Clinic (for profit)	per facility	\$402.20	\$1,103.60	\$702	172%
Rehabilitation Clinic (non-profit)	per facility	\$402.20	\$1,103.60	\$702	172%
Surgical Clinic	per facility	\$2,842.08	\$2,694.73	-\$148	-5.2%
Chronic Dialysis Clinic	per facility	\$3,238.98	\$3,405.79	\$166	5.1%
Pediatric Day Health/Respite	per bed	\$138.30	\$195.89	\$58	4.2%
Alternative Birthing Centers	per facility	\$1,710.20	\$2,983.92	\$1,274	74.5%
Hospice (2-year license)	per facility	\$723.86	\$2,221.40	\$1,497	206%
General Acute Care Hospitals	per bed	\$309.07	\$255.46	-\$54	-17.5%
Acute Psychiatric Hospitals	per bed	\$309.07	\$255.46	-\$54	-17.5%
Special Hospitals	per bed	\$309.07	\$255.46	-\$54	-17.5%
Chemical Dependency Recovery	per bed	\$200.29	\$177.49	-\$23	-11.5%
Congregate Living Facility	per bed	\$250.77	\$292.20	\$41	16.3%
Skilled Nursing	per bed	\$250.77	\$292.20	\$41	16.3%
Intermediate Care Facility (ICF)	per bed	\$250.77	\$292.20	\$41	16.3%
ICF-Developmentally Disabled	per bed	\$469.81	\$1,307.72	\$837	178%
ICF—DD Habilitative, DD Nursing	per bed	\$469.81	\$1,307.72	\$837	178%
Correctional Treatment Centers	per bed	\$806.53	\$832.67	\$26	3.3%

Prior Subcommittee #3 Hearings. The Subcommittee took several actions in its April 28th and May 12th hearings to make reasonable adjustments to the L&C Fees, while providing increased staff—most specifically Health Facility Evaluator positions—for licensing and certification purposes including for Senate Bill 1312 (Alquist), Statutes of 2006.

Key actions taken at these hearings include:

1. Elimination of \$478,000 (L&C Fees) to provide the L&C Division with more funding for operating expenses and equipment.
2. Approving \$431,000 (L&C Fees) for positions to implement L&C Division requirements as contained in Senate Bill 739 (Speier) for hospital infection enforcement.
3. Adopted trailer legislation to provide more information regarding how the L&C Fees are developed.
4. Made adjustments to use the 1,800 hour standard for productivity for L&C positions, in lieu of the 1,364 hour standard, which resulted in a lowering of the number of staff needed for conducting certain L&C work and thereby lowered the fee to be paid.
5. Made adjustments to ensure that SB 1312 (Alquist), Statutes of 2006 was implemented statewide. This included increasing the contract for Los Angeles County L&C work and adopting trailer bill language accordingly.

All of these actions remain as part of the Senate's version of the Budget Bill. However, additional adjustments are needed to address the overall L&C Fee schedule for 2008-09.

Subcommittee Staff Recommendation. First, it should be recognized that the L&C Division has provided very valuable technical assistance to the Subcommittee regarding the modeling of various L&C Fee options (thank you).

The table below of proposed L&C Fee adjustments for 2008-09, as recommended by Subcommittee staff, includes the following assumptions:

- No General Fund subsidy for any health care facility. This results in savings of \$2.3 million (General Fund) as compared to the Governor.
- Applies expenditures of \$431,000 (L&C Fees) for SB 739 (Speier) for hospital infection enforcement within the hospital categories only.
- Deletes the \$478,000 (L&C Fee) price increase.
- Revises the funding credits for change of ownership, initial application fees, and late fees so that these additional revenues are applied towards reducing the L&C Fee (no increases were done to any of the credit categories). This updated revenue offset to the L&C Fees is \$3.9 million.
- Assumes the higher productivity level for staffing for SB 1312.

- Applies \$7.7 million in salary savings relief which reduces the L&C Fees. These salary savings are spread across most of the health facility categories as directed by Subcommittee staff.

As noted in the Table below, the above assumptions result in lower L&C Fees for 2008-09 for all categories, except for a small increase for hospitals.

Proposed L&C Fees by Subcommittee

Facility Type	Fee Category	2007-08 Fee Current Year	Governor's 2008-09 Fee	Proposed Fee Subcommittee	Difference
Referral Agencies	per facility	\$6,798.11	\$6,216.49	\$3,564.16	-\$2,652.33
Adult Day Health Centers	per facility	\$4,383.14	\$5,030.16	\$3,995.61	-\$1,034.55
Home Health Agencies	per facility	\$3,867.14	\$5,260.47	\$4,159.42	-\$1,101.05
Community-Based Clinics	per facility	\$871.13	\$1,349.93	\$600.00	-\$749.93
Psychology Clinic	per facility	\$2,296.58	\$3,565.26	\$1,100.00	-\$2,465.26
Rehabilitation Clinic (for profit)	per facility	\$402.20	\$1,103.60	\$200.00	-\$903.60
Surgical Clinic	per facility	\$2,842.08	\$2,694.73	\$1,918.00	-\$776.73
Chronic Dialysis Clinic	per facility	\$3,238.98	\$3,405.79	\$2,932.86	-\$472.93
Pediatric Day Health/Respite	per bed	\$138.30	\$195.89	\$154.62	-\$41.27
Alternative Birthing Centers	per facility	\$1,710.20	\$2,983.92	\$2,430.90	-\$553.02
Hospice (2-year license)	per facility	\$723.86	\$2,221.40	\$1,875.47	-\$345.93
General Acute Care Hospitals	per bed	\$309.07	\$255.46	\$257.77	+\$2.31
Acute Psychiatric Hospitals	per bed	\$309.07	\$255.46	\$257.77	+\$2.31
Special Hospitals	per bed	\$309.07	\$255.46	\$257.77	+\$2.31
Chemical Dependency Recovery	per bed	\$200.29	\$177.49	\$144.59	-\$32.90
Congregate Living Facility	per bed	\$250.77	\$292.20	\$285.65	-\$6.55
Skilled Nursing	per bed	\$250.77	\$292.20	\$285.65	-\$6.55
Intermediate Care Facility (ICF)	per bed	\$250.77	\$292.20	\$285.65	-\$6.55
ICF-Developmentally Disabled	per bed	\$469.81	\$1,307.72	\$1,008.39	-\$299.33
ICF—DD Habilitative, DD Nursing	per bed	\$469.81	\$1,307.72	\$1,008.39	-\$299.33
Correctional Treatment Centers	per bed	\$806.53	\$832.67	\$274.03	-\$558.64

In addition to the above L&C Fee adjustments, the Department of Finance (DOF) is also requesting a technical adjustment to the L&C Division's baseline budget. Specifically they are proposing a reduction of \$2.273 million (L&C Fees) to the January baseline budget to align baseline expenditures. No concerns have been raised regarding this bottom line reduction. According to the Administration there is no affect on L&C Fees from this technical adjustment. It is therefore recommended to approve this adjustment too.

Therefore, it is recommended to adopt these revised L&C Fees and the requested adjustment by the DOF.

2. State Support to Local Health for Emergency Preparedness

Issue. There are several issues regarding the state's support to Local Health Jurisdictions for emergency preparedness and pandemic influenza. *First* is the funding level provided in the Governor's budget and his proposed 10 percent reduction.

The Governor's January budget included \$15.579 million (General Fund) for the amount the state provides to Local Health Jurisdictions for pandemic influenza and emergency preparedness, less a 10 percent reduction of \$1.6 million (General Fund). **The chart below displays the components of this funding level.**

Budget Act of 2007, after Governor's Veto	\$4.960 million
Proposed Increase by Governor to Restore Veto	\$8.5 million
*Reappropriation Funding (warehouse space)	\$2.119 million
Governor's Reduction for 10 percent	<u>(\$1.6 million)</u>
Governor's Proposal for 2008-09	\$13.979 million

(*Total available in reappropriation is \$8.476 million. It is assumed that these funds are used equally over four years for warehousing supplies.)

As part of his 10 percent reduction, the Governor is proposing a \$1.6 million (General Fund) reduction as noted in the chart.

In her February *Analysis* of the Governor's Budget, the Legislative Analyst's recommended deleting the proposed increase of \$8.5 million for 2008-09 (i.e., the proposed increase by the Governor's to restore his 2007 Budget Act veto) due to the fiscal crisis. As such, the Assembly Subcommittee #1 took action to approve the LAO's recommendation to delete these funds.

However, the *second* aspect of this issue pertains to California's need to meet certain federal "Maintenance of Effort" (MOE) requirements in order to maintain two federal grants (a grant from the federal Centers for Disease Control and a grant from the federal US Health and Human Services).

This MOE aspect did not come to light until the May 12th Subcommittee #3 hearing when the DPH articulated that California's federal funds would be at risk if the LAO recommendation were to be enacted by Subcommittee #3 (and the Legislature). Since this time, the LAO, Subcommittee staff, the DOF and the DPH have been discussing this issue of what constitutes the MOE.

Based on discussions, it is unclear whether one-time only funds from prior years would be counted within the state's MOE, or how narrow or broad the definition is when calculating what should be included in the MOE. Further, the federal CDC has only issued *draft* guidance to the DPH at this time.

Background--Federal Funding Available to Local Health Jurisdictions and Hospitals.

Under federal law there are two *key* funding streams made available to California—one from the federal Centers for Disease Control (CDC), and one from the federal Health Resources and Services Administration (HRSA). The federal CDC grant is in support of

state and local public health measures to strengthen the state against bioterrorism. California allocates 70 percent of the CDC grant funds to support local public health jurisdictions and DPH state operations within the remaining 30 percent. Among other things, the HRSA grant has provided funding for over 300 of California's approximately 400 hospitals to purchase medical supplies and equipment such as pharmaceutical caches, personal protective equipment, communications equipment, cots, emergency generators, and isolation capacity systems. Based on the most recent Department of Public Health report, as of December 2007, the following local federal fund award summary is provided (*includes Los Angeles*):

Department of Public Health's Summary of Federal Centers for Disease (CDC) Funds to Locals

Fiscal Year	Grant Amount	Total Paid	Balance
2007-08	\$74.4 million	\$6.7 million	\$67.6 million
2006-07	\$98 million	\$71.3 million	\$26.8 million
2005-06	\$78.5 million	\$72.3 million	\$6.1 million
TOTALS	\$250.8 million	\$150.3 million	\$100.5 million

Department of Public Health's Summary of Federal Hospital Preparedness Funds to Locals

Fiscal Year	Grant Amount	Total Paid	Balance
2007-08	\$32.6 million	\$72,700	\$32.6 million
2006-07	\$49.6 million	\$22.9 million	\$26.7 million
2005-06	\$37.8 million	\$37.3 million	\$501,400
TOTALS	\$120.1 million	\$60.3 million	\$59.8 million

With respect to the above tables, the DPH notes that these figures include Los Angeles which receives funds directly from the federal government, and that federal awards to states were issued late for 2007-08. However the fiscal information does illustrate the level of funding that Local Health Jurisdictions and related local entities have received for emergency preparedness efforts.

In addition, the DPH utilizes about \$32 million (total funds) and 88 positions annually for various emergency preparedness efforts. The state also made considerable investments in 2006 regarding the Surge Initiative and the expenditure of tens of millions for three Mobile Hospitals, alternative site beds, pharmaceuticals, medical supplies, ventilators and related emergency preparedness equipment, personnel and activities.

Subcommittee Staff Recommendation—Conform with Assembly, Adopt LAO Recommendation.

As noted above, the LAO recommends to delete the \$8.5 million (General Fund) increase proposed by the DPH for 2008-09 which is intended to restore the Governor's veto of these in the Budget Act of 2007. The Assembly Subcommittee #1 adopted the LAO recommendation and Subcommittee recommends to conform to the Assembly. Due to the fiscal crisis, the availability of federal funds, including unspent federal funds from prior years, and the fact this General Fund appropriation is discretionary, the elimination of funding is recommended. .

Questions. The Subcommittee has requested the DPH to respond to the following questions.

1. **DPH,** Does the DPH have any comment?

3. Governor's Reduction for Emergency Response--Food

Issue. The Governor proposes a reduction of \$219,000 (General Fund) to the Food and Drug branch within the DPH related to food microbiology and foodborne illness and for leading components of an outbreak investigation, environmental investigation and/or trace back.

This reduction would still leave 6 staff positions within the branch to respond to these issues.

Legislative Analyst's Office Recommendation. The LAO did include this reduction in her alternative budget proposal.

Subcommittee Staff Recommendation—Adopt Governor's Reduction. No issues have been raised regarding this proposal. It is recommended to adopt the Governor's reduction.

Questions. The Subcommittee has requested the DPH to respond to the following questions.

1. DPH, Please provide a *brief* summary of the core functions presently being done to protect the food supply.
2. DPH, Please explain the increase in staff provided through the budget process over the past two years regarding protection of the food supply.
3. DPH, What affects may this Governor's proposed reduction have specifically?

4. Governor's Reduction to Vector Borne Control Program

Issue. The Governor is proposing a reduction of \$235,000 (General Fund) to the DPH's Vector Control Program and one position as part of his 10 percent across-the-board reduction.

The \$235,000 reduction consists of two pieces as follows:

- \$94,000 (General Fund) from elimination of the Public Health Vector Control Technician Certification Program (Certification Program), whose purpose is to certify Local Health Jurisdictions staff on vector-borne disease surveillance, prevention and control; and
- \$141,000 (General Fund) from closing the state's Santa Rosa Vector Borne Disease Surveillance field office (which is one of six field offices for these purposes in the state). The DPH states that there is only one person in this office and this office is very close in proximity to the Richmond Laboratory complex. Therefore, some of the duties performed by the Santa Rosa office can be shifted to Richmond staff (and to a lesser extent, to the Elk Grove field office and Redding field office). The DPH states that there will be a moderate reduction in their ability to conduct services relating to Lyme Disease prevention.

Prior Subcommittee Hearing. In the May 12th Subcommittee hearing, various constituency groups testified in support of increasing the fees in this program, including associations and organizations whose members would pay the fees, for the *Certification Program component* of this reduction.

Background on Vector-Borne Disease Program. The DPH provides consultation services and assistance to Local Health Jurisdictions in epidemiologic investigations, surveillance, prevention, and control of vector-borne diseases (such as Lyme Disease, West Nile virus and others).

In addition, they administer the Public Health Vector Control Technician certification examination program which certifies vector control government staff. This program requires every government agency employee who handles, applies, or supervises the use of any pesticide for public health purposes to be certified by the DPH.

Constituency Group Concerns with Governor's Reduction. The Subcommittee is in receipt of letters from the (1) Mosquito and Vector Control Association of CA and the (2) CA Association of Environmental Health Administrators expressing concerns with the Governor's reduction and recommending an alternative funding proposal.

They are particularly concerned with the reduction to the DPH's Public Health Vector Control Technician certification examination program. They state this program is vital to special districts and is needed to maintain public health and safety regarding the use of pesticides and vector/mosquito abatement. It is of particular concern due to West Nile Virus and its spread to California.

The Subcommittee also received letters regarding concerns about the closure of the Santa Rosa office due to concerns with Lyme Disease surveillance.

Subcommittee Staff Recommendation—Modify Governor’s Proposal. First, due to fiscal constraints, it is recommended to enable the DPH to proceed with the closure of the Santa Rosa field office. Other field offices are in proximity and the Local Health Jurisdiction can provide assistance when applicable.

Second, it is recommended to adjust the fees paid under the Certification Program to generate sufficient revenues to maintain the existing program as desired by various stakeholders, including those who would have to pay the fees.

Subcommittee staff has obtained technical assistance information from the DPH regarding fee adjustments. Based on this technical assistance information, it is recommended to do the following adjustments:

- Increase the annual certification fee from \$36 to \$120. It is anticipated that the number of certificates per year would be for 900 Technicians. This would generate revenue of \$108,000 per year.
- Increase the exam fees from \$37 for the series of four exams done under the program to \$100 (i.e., \$25 per exam but 4 exams are typically taken by each individual). It is anticipated that the number of exam series administered will be 120 per year. This would generate revenue of \$12,000.

Increasing these fees would allow for the Certification Program to be fully supported by special funds.

Therefore, it is recommended to (1) delete \$141,000 (General Fund) as recommended by the Governor; (2) increase the fees as noted above to fully support the Certification Program; (3) adopt placeholder trailer bill language for the fee adjustments; and (4) increase the special fund to reflect the need for increased appropriation authority due to the fee increases.

Questions. The Subcommittee has requested the DPH to respond to the following questions.

1. DPH, From a policy perspective, does it make sense to increase the fees to maintain the program?

5. CA Radiation Protection Program

Issue. The DPH is requesting an increase of \$262,000 (Radiation Control Fund) for two positions—Associate Health Physicists—on a two-year limited-term basis (June 30, 2010).

The DPH states this staff is needed to meet statutory mandates for the protection of public health and safety and decrease the public's risk of excessive and improper exposure to radiation by performing **(1)** federally mandated enhanced security inspections; and **(2)** federally mandated evaluations and inspections of devices containing radioactive material.

The DPH notes that a radioactive licensee's loss of control of high-risk radioactive sources, whether it is inadvertent or through a deliberate act, has a potential to result in significant adverse health impacts and could reasonably constitute a threat to the public health and safety. In this regard, the NRC determined that certain additional controls are required to be implemented by licensees to supplement existing regulatory requirements in order to ensure adequate protection of, and minimize danger to, the public health and safety.

Budget Act of 2006—5 Additional Positions Provided Due to NRC Concerns. In response to significant concerns by the Nuclear Regulatory Commission (NRC), as noted below, the department received an additional 5 Associate Health Physicist positions to be used to: **(1)** review and evaluation applications for licensure approval to use radioactive material for industrial, academic, medical, veterinary or research purposes; **(2)** perform inspections of users; **(3)** review issued licenses and inspection reports to ensure consistent and uniform application; and **(4)** research and develop radiation safety regulations for compatibility with federal requirements and compliance with state law.

Nuclear Regulatory Commission's (NRC) Previous Concerns with California. The NRC conducts performance evaluations as part of its statutory mission to ensure adequate and consistent nationwide health and safety protection from the hazards of radioactive material.

In **2004**, the NRC evaluated the DHS' program and found that it needed improvement. As a result, California has been placed on "heightened oversight and monitoring" status. According to the DHS, the NRC specifically identified lack of staff resources as an unsatisfactory finding that must be addressed.

The NRC issued California a "Program Improvement Plan" (PIP) to track the actions the DHS must address to meet the recommendations of the 2004 program review. Some of the NRC's recommendations include the following:

- Implement procedures to ensure inspection findings are issued to licensees within 30 days of the completion of routine inspections;
- Improve the system to track incident and allegation investigations to ensure timeliness, proper documentation, appropriate follow-up, and closure;
- Establish and implement (1) processes to identify defects and incidents involving California approved devices containing radioactive material, and (2) procedures for investigating reports of defects and incidents for root cause and generic implications for possible subsequent re-evaluation; and

- Ensure adequate funding and staffing resources are devoted to the Radiation Control Program and that the state's fee system be updated reflect actual program costs.

Overall Background on the State's Radiation Control Program. The purpose of this program is to protect public health and safety by decreasing excessive and unnecessary exposure to radiation, and reducing the release of radioactive material into the environment. This is accomplished through **(1)** licensing users of radioactive material, including medical, academic and industrial facilities, **(2)** registration of radiation producing (X-Ray) machines, **(3)** certification of individuals using radiation sources, **(4)** inspection of facilities using radiation sources, and **(5)** conducting enforcement actions.

California, along with 32 other states, has an agreement with the NRC by which the federal government does not have regulatory authority over certain types of radioactive material. Instead, the state has the authority for oversight but the NRC conducts performance evaluations as part of its function. This state-federal relationship is known as "Agreement State Program". Therefore, the Radiation Control Program licenses and inspects users of radioactive materials that are subject to both federal and state law.

Background—Radiation Control Fund. This program is funded through the Radiation Control Fund, a special fund into which the regulated community pays fees. Through the DHS' administrative authority, fees were increased effective September 1, 2005

Background—Radioactive Materials (RAM). RAM is any material or combination of materials that spontaneously emits ionizing radiation. RAM can be in the form of a liquid, powder, solid, or gas. **RAM is used daily:** in the health industry to diagnose illness (nuclear medicine procedures) and treat cancer (radiation therapy); in the construction industry to detect defects in airplanes, pipelines, storage tanks, engines and bridges; and in the food processing industry to determine thickness of food (candy bars, chocolate), volume of liquid (canned or bottled products); and in medical surgical products (instruments and gauze).

Questions. The Subcommittee has requested the DPH to respond to the following questions:

1. DPH, Please provide a brief description of what the positions will do.
2. DPH, Please describe what is done to meet federally mandated *enhanced* security inspections.
3. DPH, What has the DPH accomplished since 2006, with the additional positions, to meet the NRC standards and concerns? Please be specific.
4. DPH, Has the NRC expressed any additional concerns with our operations?
5. DPH, What more needs to be done in California in order to ensure

6. Statewide Environmental Monitoring, Oversight & Low-Level Radioactive Waste Volume Reduction and Tracking

Issue. The DPH is requesting an increase of \$138,000 (Radiation Control Fund) and three positions—Associate Health Physicists—to conduct various activities. These are outlined below.

- **Low-Level Radioactive Waste Tracking and Volume Reduction.** Existing state statute requires the DPH to track Low-Level Radioactive Waste (LLRW) shipments for disposal and in storage and for promoting volume reduction of LLRW. The Legislature provided funding for these efforts over two years ago; however the DPH did not establish to proceed with these efforts. As such, they are now finally proceeding.

Two positions are requested to conduct activities in this area. Specifically, they will perform the following key activities:

- (1) Develop a database for tracking Low-Level Radioactive Waste (LLRW);
- (2) Review at least 1,650 LLRW disposal shipment manifests;
- (3) Review 1,500 annual reports; and
- (4) Prepare at least two ad hoc reports a year on LLRW in CA

- **Statewide Environmental Radiation Monitoring and Assessment.** The DPH states that the purpose of this activity is to determine and minimize radiation exposure to residents from radioactive contamination at both licensed and unlicensed sites, as well as at nuclear power plants. The DPH is responsible for operating and maintaining a statewide radiation monitoring program that documents environmental background radiation levels. There are no dedicated resources to address this workload.

The DPH states that half (0.5) of an Associate Health Physicist would be used for this effort.

- **Oversight of Both Licensed and Unlicensed Facilities in CA.** The DPH is responsible for state oversight involved with addressing public concerns over radiation contamination issues at **(1)** former Department of Energy (DOE) sites and their industrial partners (such as the Santa Susanna Field Laboratory in Southern CA); **(2)** state licensed sites that are undergoing decommissioning, **(3)** other sites under Department of Toxic Substances and Control (DTSC) jurisdiction for different regulatory/corrective actions; and **(4)** unlicensed facilities where local communities have raised health and safety concerns.

The DPH states that half (0.5) of an Associate Health Physicist would be used for this effort.

The DPH states that these positions will allow them to *annually*:

- Take and analyze over 1,600 environmental samples;
- Perform 10 investigations, attend planning meetings, review technical documents for clarity and accuracy, and prepare responses to legislative inquiries;
- Prepare reports on Department of Energy and state licensed facilities being released to public use;
- Track 1,650 LLRW waste shipments;
- Evaluate 1,500 annual reports from facilities disposing of LLRW; and
- Prepare a statewide report on LLRW disposal.

The DPH states that “Accountability is ensured by having summary activity reports that identify all reviews and investigations performed.”

Questions. The Subcommittee has requested the DPH to respond to the following questions:

1. **DPH**, Please provide a brief description of what the positions will do.
2. **DPH**, How will these positions work with the positions regarding the California Radiation Protection Program?

7. Vital Records Image Redaction and Statewide Access Project (VRIRSA)

Issue. The DPH is requesting an increase of \$2.3 million (Health Statistics Special Fund) to (1) extend three limited-term positions—Programmers-- for one-year; and (2) increase contracting expenditures to proceed with activities and information technology functions to implement VRIRSA and computerize records. Of the total amount, \$1.9 million is to be used for information contracts.

Senate Bill 247 (Speier), Statutes of 2002 requires the DHS to develop safety and security measures to protect against the fraudulent use of birth and death records. Specifically, it required the DPH to establish a single state database that would allow access to one system for the production of automatically redacted birth and death records.

As noted by the DPH, there have been numerous project delays which have had a domino effect that has delayed the implementation of the VIRRSA system. Due to these delays, the DPH is seeking to extend these positions and to use additional contract funds to proceed with completion of the project.

The DPH states that a number of “unexpected” events occurred that have postponed the implementation of the VRIRSA system until **March 2009**. The primary events were the analysis and cost evaluation required to determine the best location for the system hardware (specifically the servers), changes to the state’s Public Contract Code for procuring information technology services, and a protect to the intent to award the contract.

Recent Budget Act Actions and their Relationship to This Request. A comprehensive budget package, all special fund moneys, that encompassed the VRIRISA Project and additional activities related to SB 447 was provided in 2006. This included a total of 19 positions to (1) develop, maintain and support the VRIRSA system; (2) conduct the computerization of records; and (3) work on the re-engineering of the DPH’s tracking system. It also included funding for equipment and consultant contracts.

Due to delays by the DPH, trailer bill language was done through the Budget Act of 2007 authorizing the reappropriation of \$3.9 million in one-time costs.

As such, the DPH is requesting that about \$3 million of unspent one-time funds be reappropriated for 2008-09 and 2009-2010.

Additional Background. The Center for Health Statistics within the DPH is responsible for administering and maintaining vital records in perpetuity and in an unalterable format. The DPH, Local Registrars and County Recorders have routinely issued copies of certificates of births or deaths that occur in California. A fee is charged by the Local Registrar, County Recorder and/or the DPH for each certificate requested.

There are about 45 million vital documents, some dating back to the 1800’s. All of these documents have been microfilmed; however, the quality of these images is insufficient to produce clear copies for legal purposes. As such, the DPH has been creating digital images of the paper documents on a flow basis. About 15 million documents have been

computerized (birth from 1985 to present, death from 1995 to present). leaving 30 million or so remaining.

Senate Bill 247 (Speier), Statutes of 2002 requires the DPH to develop safety and security measures to protect against the fraudulent use of birth and death records. The Legislature specifically included the computerization of records, redacting and removing signatures to produce an informational copy, and electronically distributing informational copies to Local Registrars and County Recorders as actions that must be taken by the DPH.

The legislation mandated these “informational” certified copies of birth and death certificates shall only be printed from a single state database, *effective January 1, 2006*. The DHS subsequently requested and received approval to amend existing law to change the implementation date to July 1, 2007 (AB 1278, Statutes of 2005).

Questions. The Subcommittee requests the DPH to respond to the following questions.

1. **DPH**, Please provide a *brief* summary of the key aspects of the project and why there have been so many delays in implementation. Have all of these delays been rectified and is the DPH on a track for completion as stated?
2. **DPH**, Please describe how the contract funds will be used.

C. Department of Developmental Services

1. Continuation of Administration's Closure of Agnews Developmental Center

Prior Subcommittee Hearing. The Administration's closure of Agnews Developmental Center was discussed in Subcommittee on April 17th. The Subcommittee received testimony from several constituency groups who noted that transition planning was proceeding well and consumers and their families who have been transitioned were doing well.

It was also noted by the DDS that the original date of June 30, 2008 for the closure of Agnews was no longer applicable and that closure is being driven by a "*rolling closure process*".

Issue. The Governor's May Revision states that the closure process is driven by a "*rolling closure*" process whereby individuals are transitioned from Agnews to the community when the housing and support services are available; therefore, it is not driven by a specific closure date. Transition to the community occurs only when all necessary services and supports are in place and the consumer is ready to move.

The DDS' May Revision proposes *no fiscal changes* for either Agnews Developmental Center or the Bay Area Community Placement Plan (funding for the three Bay Area Regional Centers which are providing the community services and supports).

However, the DDS is proposing Budget Bill Language to provide for funds not used in the current-year to be reappropriated for 2008-09 (budget year) to complete the closure in a *budget neutral fashion*.

The DDS' *reappropriation language* is as follows:

4300-491 Reappropriation, DDS. Notwithstanding any other provision of law, as of June 30, 2008, the balances of the appropriations provided in the following citations are reappropriated for the purposes specified and shall be available for encumbrance or expenditure until June 30, 2009.

0001 General Fund

(1) Item 4300-003-0001, Budget Act of 2007 (Chapters 171 and 172, Stats. of 2007)
(a) Balance of appropriations in Schedule (1) 20 Developmental Centers Program and Schedule (2) Reimbursements to provide care and assistance to consumers that will remain at Agnews Developmental Center past the June 30, 2008 closure date.

(2) Item 4300-101-0001, Budget Act of 2007 (Chapters 171 and 172, Stats of 2007)
(a) Balance of appropriations in Schedule (1) 10.10.010 Operations, Schedule (2) 10.10.020 Purchase of Services, and Schedule (4) Reimbursements to provide care

and assistance to consumers that will remain at Agnews Developmental Center past the June 30, 2008 closure date.

The Administration states that a total of \$22 *million is available* for reappropriation (from 2007-08 for expenditure in 2008-09). Specifically, the DDS anticipates having \$17 million (total funds) in unspent Purchase of Services funds due to delayed placements for Agnews consumers (as discussed below) to reappropriate for 2008-09. An additional \$5 million in funds is unspent for employee related transition costs is in the Agnews Developmental Center budget and is available for reappropriation for 2008-09.

At the Subcommittee's request, an update on **key aspects** of the Agnews closure has been provided, including the following:

- *Bay Area Housing Plan Homes.* All 61 homes have been *acquired*. The status of these are follows:
 - 32 Homes ready for occupancy with 22 of these having been licensed and certified. Sixty people have been transitioned to live in these homes.
 - 17 Homes await the start of construction (remodeling mostly). DDS anticipates that 10 of these homes will be approved to start construction by May 31, 2008.
 - 6 Homes have recently completed construction.
 - 4 Homes are still awaiting the planning permitting process. As referenced previously, this process varies depending upon local ordinances and the like.
- *Provider Readiness.* DDS notes that each of the three Regional Centers has taken different approaches in residential service resource development (and staffing of the different models being used in their communities).

One of the challenges within this process has been recruiting nurse administrators and direct care staff. Each of these issues has prevented providers from being completely ready to provide services at the time the homes are delivered which has presented a delay in opening *some* of the homes.

The DDS and Regional Centers are working closely with providers to ensure appropriate staffing levels and provider readiness.

- *Consumer Placements.* As of May 15, 2008, 152 people are residing at Agnews. The number of people who will move from Agnews before June 30, 2008 is contingent upon providers resolving staff recruitment issues, the delivery of housing, and the ability of the Interdisciplinary Team to coordinate the development of Individual Program Plans (IPP for the consumer) and community living options discussions (to ensure an individual's choice). Additionally, DDS notes that transition activities are contingent upon the health and safety of each person.

DDS anticipates that 47 people will either move to their community home or transfer to another Developmental Center by June 30, 2008. The remaining 105 residents of Agnews will move to their community home *after* July 1, 2008.

- Health Care & Agnews Community Clinic. As required by legislation, the DDS and Department of Health Care Services (DHCS) finalized a memorandum of understanding which establishes protocols to share information for health care strategic planning, health plan enrollment, and rate development.

DDS states they are working with the DHCS finalizing efforts to establish the Agnews Outpatient Clinic, as required by Senator Alquist's legislation, after Agnews Developmental Center closes. The clinic is to provide a safety net to ensure that health, dental and behavioral services are seamless during the transition process.

- Developmental Center Operations and "Warm Shutdown" DDS states that as people move to the community, residential units at Agnews are consolidated and vacant units are placed into the "warm shutdown" process.

Additional activities related to consolidation and eventual closure includes the transfer of files, equipment, and furnishing to other Developmental Centers, surplus or storage. Warm shutdown will expand in scope and activity as the number of residents leave and is expected to continue through 2008-09.

As of May 15, 2008, Agnews is operating 5 Nursing Facility and 5 Intermediate Care Facility residences for the 152 people living there. Agnews anticipates closing 1 Nursing Facility and 1 Intermediate Care Facility by June 30, 2008 should provider readiness, the delivery of housing and community placements meet the projected timelines.

- Agnews Developmental Center Costs for 2008-09. The DDS states that they cannot estimate the actual cost per person for those consumers residing at Agnews after June 30, 2008. Estimating the actual cost per person is difficult due to the complex needs of each person and the variation in cost based upon those needs.

Using the 2007-08 projected expenditures for Agnews, the average monthly cost per person at Agnews for 2008-09 is estimated to be \$58,000 (per month). The actual cost will vary by the number of individuals and their individual needs. Therefore, if 105 residents stay through July 2008, a total of \$6.1 million would be needed for the reappropriation language to operate. This figure does not reflect funding in the budget for staff separation costs, or closing Agnews Developmental Center

- Cost of Services in the Community. DDS states that based on 2007-08 projected expenditures for 2008-09, the monthly expenditure for an individual living in a Bay Area Housing Plan ranges from \$16,246 to 25,407 depending on the type of home (SB 962 model, Family Teaching Model, et al). It should be noted that this cost includes residential expenses, Day Program expenses and transportation. Generally, it is all inclusive arrangement.

Additional Background on Agnews. The plan to close Agnews Developmental Center was developed over a three-year period and formally submitted to the Legislature in January 2005. Enabling legislation to support the implementation of critical elements of the plan has been enacted, including Assembly Bill 2100 (Steinberg), Statutes of 2004, Senate Bill 962 (Chesbro), Statutes of 2005, Senate Bill 643 (Chesbro), Statutes of 2005, and Assembly Bill 1378 (Lieber), Statutes of 2005.

The Agnews Developmental Center Plan closure is *different* than the two most recent closures of Developmental Centers—Stockton DC in 1996 and Camarillo DC in 1997—both of which resulted in the transfer of large numbers of individuals to other state-operated facilities. In contrast, the Agnews Plan relies on the development of an improved and expanded community service delivery system in the Bay Area that will enable Agnew's residents to transition and remain in their home communities.

Continued Implementation of the Bay Area Housing Plan. The enactment of Assembly Bill 2100 (Steinberg), Statutes of 2004 and Senate Bill 962 (Chesbro), Statutes of 2005, authorized the DDS to approve proposals from the Bay Area Regional Centers (i.e., San Andreas RC, RC of the East Bay, and Golden Gate RC) to provide for, secure, and assure the payment of leases for housing for people with developmental disabilities.

A key component of this plan is a partnership between the DDS, the housing developer—Hallmark Community Services--, the three Bay Area Regional Centers, and the Bay Area non-profit housing development corporations. Through this partnership, they have secured the necessary agreements for bond financing with the California Housing Finance Agency (CalHFA) and construction financing with the Bank of America. These funds are used to acquire properties and either renovate or construct “SB 962” Homes, Family Teaching Homes, and Specialized Residential Homes.

The entire bond package, issued in phases, will total in the aggregate about \$120 million. The bonds will fully amortize over 15 years. The purpose of the taxable and tax-exempt bonds is to fund the permanent financing of the BAHP properties upon completion of respective renovation and occupation by consumers.

The acquisition and development of housing is a critical element. Over 75 percent of the current Agnew's residents will move into Bay Area Housing Plan (BAHP) homes.

Background—New Models for Residential Services. To address the needs of Agnew's residents, various new models for community-based residential services have been structured. These are briefly described below.

- **“SB 962” Homes.** Senate Bill 962 (Chesbro), Statutes of 2005, directed DDS to establish a new pilot residential project designed for individuals with special health care needs and intensive support needs. Examples of health services that can be provided in this type of home include, but are not limited to, nutritional support; gastrostomy feeding and hydration; renal dialysis; and special medication regimes including injections, intravenous medications, management of insulin, catheterization, and pain management. Nursing staff will be on duty 24-hours per day.

This pilot is a joint venture with the Department of Social Services (DSS) and will serve up to 120 adults, with no more than five adults residing in each facility. This pilot is to be limited to individuals currently residing at Agnews.

- *Specialized Residential Homes.* These homes are designed for individuals with behavioral challenges or other specialized needs, and will serve from three to four consumers per home. These homes provide 24-hour on-site staff with specialized expertise to meet the unique needs of the individuals. These homes have the capability for on-site crisis response.

It should be noted that when a majority of the consumers living in this model of home turns age 60, the home will need to be re-licensed as a Residential Care Facility for the Elderly (RCFE) (as required by state statute). Therefore, all BAHF Specialized Residential Homes will be constructed to address the physical plan requirements for an RCFE licensure.

- *Family Teaching Homes.* Among other things, Assembly Bill 2100 (Steinberg), Statutes of 2004, added a new “Family Teaching Home” model to the list of residential living options. This new model is designed to support up to three adults with developmental disabilities by having a “teaching family” living next door (usually using a duplex). The teaching family manages the individual’s home and provides direct support when needed. Wrap-around services, such as work and day program supports, are also part of this model.

Questions. The Subcommittee has requested the DDS to respond to the following questions:

1. **DDS**, Please provide a brief update on the key components of the Agnew closure as noted above.
2. **DDS**, Please provide a brief summary of the requested reappropriation language and the fiscal information related to it.
3. **DDS**, Please briefly explain the *potential* cost implications for 2008-09 if the closure progresses past July.

2. Developmental Centers May Revision Adjustments

Issue. The DDS is proposing no significant changes for 2008-09 for the Developmental Centers budget. As noted above the Agnews Developmental Center closure will be addressed as a “rolling closure”. Therefore, the DDS did not make any adjustments to their January budget.

There is one small adjustment regarding a technical issue with reimbursements associated with the Governor’s reductions which were adopted in Special Session and by the Subcommittee. This adjustment is minor and pertains to reimbursements.

Background on Developmental Centers (DCs). State Developmental Centers (DCs) are licensed and federally certified as Medicaid providers via the Department of Health Care Services. They provide direct services which include the care and supervision of all residents on a 24-hour basis, supplemented with appropriate medical and dental care, health maintenance activities, assistance with activities of daily living and training. Education programs at the DCs are also the responsibility of the DDS.

The DDS operates five Developmental Centers (DCs)—Agnews, Fairview, Lanterman, Porterville and Sonoma. Porterville is unique in that it provides forensic services in a secure setting. In addition, the department leases Sierra Vista, a 54-bed facility located in Yuba City, and Canyon Springs, a 63-bed facility located in Cathedral City. Both of these facilities provide services to individuals with severe behavioral challenges.

Background--Summary of Funding and Enrollment. The budget proposes expenditures of \$669.1 million (\$357.4 million General Fund), excluding state support, to serve *an average of* 2,449 residents who reside in the state DC system. This reflects a caseload decrease of 171 residents or 6.5 percent, as noted in the table below.

The most significant change in population is due to the DDS’ closure of Agnews Developmental Center by June 30, 2008.

Table: Summary of Developmental Center Budget Year Population (Average)

Facility	Current Year 2008-09	Budget Year 2008-09	Difference
Agnews DC	111	0	-111
Canyon Springs (community-based)	52	52	0
Fairview DC	560	527	-33
Lanterman DC	485	442	-43
Porterville DC	666	703	37
Sierra Vista (community-based)	51	50	-1
Sonoma DC	685	675	-10
Total	2,610 people	2,449 people	-161 people

Subcommittee Staff Recommendation—Approve. No issues have been raised. It is recommended to approve the May Revision.

Questions. The Subcommittee has requested the DDS to provide a brief summary on the Developmental Centers budget.

3. Regional Center's Estimate—BASELINE May Revision

Issue. The Governor's May Revision for the Regional Centers has been recalculated based on **(1)** caseload changes and the need for consumer services; **(2)** technical adjustments to the cost containment measures as proposed by the Governor and adopted by the Legislature during Special Session; and **(3)** policy changes proposed by the Governor that are contained in other Departments which affect people with developmental disabilities. Each of these areas will be discuss

First, the May Revision proposes a budget of \$3.9 billion (\$2.388 billion General Fund) for community-based services, provided via the Regional Centers, to serve a total of 221,069 consumers living in the community. This funding level reflects an increase of \$150.5 million (\$45.9 million General Fund) as compared to January.

Of this amount \$3.378 billion is for the Purchase of Services, including funds for the Early Start Program and habilitation services. The Operations budget is \$529.8 million (total funds). No issues have been raised by Subcommittee staff regarding the baseline adjustments.

Second, the May Revision reflects minor fiscal adjustments to the Governor's cost containment measures as adopted by the Legislature in the Special Session. No issues have been raised by Subcommittee staff regarding these minor fiscal adjustments, primarily to reflect caseload adjustments.

Third, the May Revision also contains *significant* new policy assumptions within other programs and departments that provide "generic" services to Regional Center clients, such as the Medi-Cal Program the In-Home Supportive Services (IHSS) Program, and SSI/SSP payments.

Specifically, these other significant program policy changes would result in *an increased cost of \$21.2 million (General Fund)* because the generic service would no longer be available to Regional Center clients to access. Therefore, the Regional Centers would have to "purchase" these services for the clients using Purchase of Services funds since the clients would still need to utilize the service.

These significant policy changes as proposed by the Governor include the following:

- **IHSS Changes.** The Department of Social Services' is proposed change to the In-Home Supportive Services (IHSS) Program establishing a baseline for receiving domestic and related services would impact Regional Center clients. Therefore, the DDS budget proposes an increase of \$6.1 million (\$4.2 million General Fund) to replace services that would be eliminated due to this Governor's proposal.

- *Elimination of Medi-Cal Optional Benefits.* The Department of Health Care Services is proposing to eliminate 10 Optional Benefits within the Medi-Cal Program, including Adult Dental Services. This proposal would affect Regional Center clients. Therefore, the DDS budget proposes an increase of \$11.1 million (\$8.2 million General Fund) to replace services that would be eliminated due to this Governor's proposal.
- *Supplemental Security Income/State Supplementary Payment (SSI/SSP).* The Department of Social Services is proposing to eliminate the pass-through of the January 1, 2009 SSI COLA and to suspend the June 1, 2008 SSP COLA adjustment and to suspend the June 1, 2009 increase. As a result, anticipated savings in the Regional Center community care facilities of \$3.8 million would not be realized and needs to be maintained in order to appropriately fund residential services.
- *Month-to-Month Eligibility for Emergency Medi-Cal for Restricted Scope Eligible Immigrants and Elimination of State-Only funded Nonemergency Services for Immigrants.* The Department of Health Care Services within the Medi-Cal Program is proposing drastic changes which would rescind full-scope Medi-Cal services for legal immigrants and would eliminate non-emergency services for undocumented individuals. As a result, the DDS would need additional funds of \$200,000 (General Fund) in 2008-09 to replace these services.

These policy changes by other departments represent substantial policy change and will be discussed by the Subcommittee when these departments—Department of Social Services, and Department of Health Care Services—are scheduled for budget hearings. These are not proposals being driven by the Department of Developmental Services (DDS). The DDS is proposing to provide General Fund backfill for services which would be lost to RC clients if these Governor's proposals were to be adopted.

Governor's Reductions Adopted by the Legislature in Special Session—Regional Center. The table below summarizes the Governor's reductions adopted by the Legislature in Special Session that directly affect the Regional Centers budget (both Purchase of Services and Operations).

Most of the adopted reductions are attributable to the Governor's proposal to make permanent cost containment measures enacted in prior years regarding Regional Center Purchase of Services funds and Operations funds.

With respect to the Governor's reductions for Purchase of Services funds, these measures included the following: (1) Freezing rates for Non-Community Placement Start-Up; (2) Freezing rates for Day Program, Work Activity, and In-Home Respite services; (3) Freezing rates for Community Care Facilities (CCF) and eliminating the SSI/SSP pass-through to these facilities; (4) Freezing all Regional Center negotiated rates and establishing limits for new negotiated rate programs and services; and (5) Freezing rates for Habilitation Services.

Governor's Reductions Adopted by Legislature in Special Session

Department of Developmental Services Community Based Services/Regional Centers	Reduction for 2007-08 (General Fund)	Reduction for 2008-09 (General Fund)
Community-Based Services		
Governor's Cost Containment Measures for Purchase of Services (POS)		-\$228,800,000
Governor's Expansion of Family Cost Participation Fee		-\$773,000
Subtotal of Purchase of Services Reduction		-\$229,573,000
Governor's Cost Containment for Regional Center Operations		-\$20,500,000
Governor's Reduction: Community Placement Operations by 10%	-\$660,000	-\$2,112,000
Governor's Reduction: Regional Center Operations for HIPAA	-\$23,000	-\$141,000
Subtotal of Regional Center's Operations Reduction		-\$22,753,000
TOTAL General Fund Reduction	-\$683,000	-\$252,326,000

The Legislature adopted the Governor's statutory changes as requested for the reductions specified in the table above. These statutory changes are contained in Assembly Bill 5 3X, Statutes of 2008.

Background on Regional Centers (RCs). The DDS contracts with 21 not-for-profit Regional Centers (RCs) which have designated catchment areas for service coverage throughout the state. The RCs are responsible for providing a series of services, including case management, intake and assessment, community resource development, and individual program planning assistance for consumers. The budget provides funding for these administrative services through the "Operations" subcategory provided to Regional Centers.

RCs also purchase services for consumers and their families from approved vendors and coordinate consumer services with other public entities. Generally, RCs pay for services only if an individual does not have private insurance or they cannot refer an individual to so-called "generic" services that are provided at the local level by the state, counties, cities, school districts, and other agencies. For example, Medi-Cal services and In-Home Supportive Services (IHSS) are "generic" services because the RC does not directly purchase these services.

RCs purchase services such as **(1)** residential care provided by community care facilities; **(2)** support services for individuals living in supported living arrangements; **(3)** Day Programs; **(4)** transportation; **(5)** respite; **(6)** health care; and many other types of services. The budget provides funding for these services through the "Purchase of Services" subcategory provided to Regional Centers.

Services and supports provided for individuals with developmental disabilities are coordinated through the Individualized Program Plan (IPP). The IPP is prepared jointly by an interdisciplinary team consisting of the consumer, parent/guardian/conservator, persons who have important roles in evaluating or assisting the consumer, and representatives from the Regional Center and/or state Developmental Center. Services included in the consumer's IPP are considered to be entitlements (court ruling).

Subcommittee Staff Recommendation. *First*, it is recommended to adopt technical changes contained in the May Revision to reflect the Governor's cost containment measures already adopted by the Legislature in the Special Session, including an adjustment for SSI/SSP.

Second, it is recommended to conform federal Title XX Temporary Assistance for Needy Families (TANF) grant funds to future actions to be taken within the Department of Social Services. The primary purpose of federal Title XX TANF funds is to support California's CalWORKS Program. Therefore, if these funds are not available for use by the DDS, General Fund support will be provided to appropriately fund the budget for the Regional Centers. Therefore, this item will remain open until the DSS is closed out. The DDS budget will conform to this action.

Third, it is recommended to conform all of the significant policy changes as proposed by other departments when those programs and departments are heard (as noted above).

It is the intent of the Subcommittee to appropriately fund the budget for the Regional Centers. Therefore, these issues will remain open until the Medi-Cal budget for the DHCS is closed out and the Department of Social Services is closed out. The DDS budget will conform to those actions.

Questions. The Subcommittee has requested the DDS to respond to the following questions.

1. DDS, Please provide a summary of the May Revision for the Regional Centers, including the baseline adjustments, technical adjustments and the significant policy issue changes as proposed by other departments.